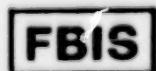


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12 AUGUST 1986

Southeast Asia Report



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12 AUGUST 1986

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INDONESIA

SUHARTO CALLS FOR ABRI COOPERATION IN TRANSMIGRATION

Jakarta ANTARA NEWS BULLETIN in English 4 Jul 86 p A3

[Text] President Soeharto Thursday stressed the importance of cooperation between the ministry of transmigration and the armed forces particularly in the field of transportation of transmigrants to their new settlement.

Transmigration Minister Martono told reporters after a meeting with the Head of State that the transportation of transmigrants by river to their resettlement had so far been carried out by using old motor boats of private companies.

With regard to that the President suggested that the armed forces members rendered help to ease the situation, the minister said.

Minister Martono added that transportation of transmigrants by air, land and sea had been good.

He said there would be no projects in 1986/1987 except those financed through foreign aid. The projects underway will be continued but will be extended if the funds for them are running short.

The minister said that the quality of transmigration program this year will be stepped up.

He said the animo of the people to join the program is still great and starting this year the professional organizations will be engaged in the program.

Minister Martono said that the target of the transmigration program is a complete settlement of the country's population problem.

About the realization of the transmigration program in the first year of the current fourth Five-year Development Plan Minister Martono said that 101,808 families had been sent during the period. The target set for the period was 125,000 families.

The number of transmigrants resettled in the second year exceeded the target of 135,000 families recorded at 160,347 families. In the third year, from April through July 1, the number had reached 44,742 families.

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CSO: 4200/1261

INDONESIA

BENGKULU RESETTLEMENT SITE SAID TO ACCOMMODATE 2,000 FAMILIES

Jakarta ANTARA NEWS BULLETIN 4 Jul 86 p A3

[Text] The Mukomuko transmigration resettlement in Bengkulu Utara (north) regency, 320 km from Bengkulu, could accommodate 2000 families of transmigrants from West Java, Jakarta, Central Java, East Java and Yogyakarta.

The head of the Bengkulu transmigration ministry, Suryanto, told ANTARA Friday that the site had been prepared since 1982 and had begun to accommodate transmigrants since 1984.

He said that in 1984, 250 families were resettled. At present 770 families general transmigrants and 250 families of retired armed forces members are now prepared for another resettlement.

The provincial government through the public works department is currently building the Manjuto irrigation works for the resettlement areas.

For the first stage, the Manjuto project is expected to irrigate 6000 hectares of ricefields. It is estimated to cost Rp23 billion rupiahs taken from the state budget and the World Bank.

The construction of the Manjuto irrigation project is now nearing completion and it is expected to be inaugurated by President Soeharto before the coming general elections in 1987.

The Bengkulu Utara regency covers an area of 9,350 km² with a population number of 342,312 scattering in 338 villages and 24 transmigration locations.

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CSO: 4200/1261

INDONESIA

SOUTH KALIMANTAN OPEN TO TRANSMIGRANTS

Jakarta ANTARA NEWS BULLETIN in English 4 Jul 86 p A3, A4

[Text] The province of South Kalimantan covering an area of more than 3.7 million hectares and inhabited by 2.2 million or some 59 people per kilometer, still regarded as scarcely populated, is now still open for the resettlement of transmigrants in a bid to spur up its development.

Chairman of the "Commission E" of the South Kalimantan Regional House of Representatives Haji Abdullah Syahrir said this at a meeting with officials of Central Java in Semarang recently.

He elaborated that the land of South Kalimantan consists of 500,00 hectares of swampy areas, 200,000 hectares of alluvial areas 1,740,000 hectares of mountainous areas or forests, 200,000 hectares of coastal areas, 960,000 hectares of grass fields and 100,000 hectares of river basin areas.

According to the chairman of Commission E, the condition of land or weather in South Kalimantan is very suitable for growing any plant growing in Indonesia.

He said many transmigrant-farmers had been successful in growing crops such as those settling in the Tajau Pecah village of Taneh Laut regency, 79 Km Southeast of Banjarmasin, as well as those in the coastal village like Serembai, 40 Km west of Banjarmasin.

In the current fourth Five Year plan (1984-1989), South Kalimantan is expected to absorb 30,000 transmigrant-families to occupy 232,850 hectares of areas which have been arranged.

Until now, however, only 2,668 families have been resettled in the province, comprising 1,399 families under general transmigration scheme and 2,668 others under the scheme of the people's nucleus estate (PIR).

Meanwhile, in 1986/1987, the provinces target is to allocate some 11,076 families comprising 600 families under the general scheme 1,500 under the PIR scheme, and 8,976 families under self-supporting scheme.

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CSO: 4200/1261

INDONESIA

REGENT DISCLOSES PLAN TO RECEIVE 1,000 TRANSMIGRANT FAMILIES

Jakarta ANTARA NEWS BULLETIN in English 5 Jul 86 p A6

[Text] Regent Sahri Romli of North Bengkulu has planned to receive 1,000 transmigrant-families from Java to be resettled in the Enggano island.

He said facilities such as airport, navy command post and cow ranches will be built on the island that lies 97 miles from the Bengkulu city.

The Enggano island covering 40,000 hectares and inhabited by over 1,300 people, is expected to be equipped with various development projects that will improve the welfare of the local people which are still a little isolated, he added.

The regent disclosed this plan at a meeting with a team from Parliamentary Commission II which visited the island Friday.

He pointed out that the regency of North Bengkulu had until now received 22,360 transmigrant-families from various parts of the country.

The team leader, Adi Pranoto, said the visit to the region was intended to have a close look on the performance of the local development, in addition to collect some inputs for the central government.

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CSO: 4200/1261

INDONESIA

MP'S CALL IRIAN JAYA TRANSMIGRATION PROGRAM SUCCESSFUL

Jakarta ANTARA NEWS BULLETIN in English 8 Jul 86 p A2

[Text] A team of the House budget commission is of the view that the implementation of the transmigration program in Irian Jaya since the pre-Pelita period to the present day, has scored considerable satisfactory results, although various obstacles still have to be tackled.

The MPs were even of the opinion that the transmigration projects in Irian Jaya have achieved greater progress than those in the other parts of the country.

The view was expressed by the team's leader, B.P. Messakh, when speaking to ANTARA here Monday after making an inspection of several transmigration sites in the province.

He said it was only proper that the project in the province achieved success, because the region is highly suitable for agriculture and livestock breeding.

One of the favourable factors contributing to the success, he said, is the fact that most of the transmigration sites are in relatively close proximity to urban centres, facilitating the marketing of the transmigrant-growers' produce.

Minuses

However, the MPs noticed there were also some unfavourable factors, including the slight disharmony between local transmigrants and those from outside the province. The MPs were specially referring to the Koya Barat area.

The team has also come across several transmigration plots of land that have not been tilled as clearings have not been performed properly, which added to the burden of the transmigrants.

The 10-man parliamentary mission was on a nine-day tour of the province for inputs relating to sectoral projects being realized with funds of the state budget.

The information will then be brought to Jakarta for discussion as material for drawing up the 1987-1988 State Budget.

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CSO: 4200/1261

INDONESIA

TRADE MINISTER AFFIRMS IMPLEMENTATION OF MAY 6 PACKAGE

Jakarta ANTARA NEWS BULLETIN in English 4 Jul 86 p A7

[Text] The Indonesian Government will persist in the plan to implement the May 6 Package as scheduled without postponement, Minister of Trade Rachmat Saleh has stated.

Speaking before newsmen after meeting President Soeharto at Bina Graha here Thursday, the minister said further that the package was aimed at improving the economic condition of the country, particularly in increasing export earnings.

He also confirmed on the occasion that the implementation of in the Presidential Instruction (Inpres) No. 4/1985 would be continued as the purpose of the stipulation was to smoothen the flow of export as well as import commodities through Indonesian seaports.

In reply to a question about weaknesses possibly found in Inpres No. 4/1985, he stated his view that there were no weaknesses in the regulation. He admitted, however, that improvement might be needed in the way to implement it.

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CSO: 4200/1261

INDONESIA

TRADE DISCUSSION WITH POLISH DELEGATION HELD

Jakarta ANTARA NEWS BULLETIN in English 8 Jul 86 p A6

[Text] A joint commission between Indonesia and Poland held its second session here Tuesday to discuss trade problems as well as the possibility of expanding trade between the two countries.

The Indonesian delegation was led by Director General of External Economic Relations from the foreign ministry Atmono Suryo and the Polish delegation was led by the Polish Ambassador to Indonesia, Czeslaw Muszaiki.

This session was a follow-up to the first session of the joint commission held in Warsaw in August 1984.

The three-day session is expected to discuss efforts to reach equilibrium in current accounts, step up the trade volume and explore the possibilities of expanding Polish investment in Indonesia.

The session served also as a preliminary activity in the face of a visit by Polish Deputy Prime Minister Zbigniew Slalajda scheduled for July 9 to 14 as a response to the visit by Indonesian Coordinating Minister of Economy, Finance and Industry Ali Wardhana to Poland in April 1985.

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CSO: 4200/1261

INDONESIA

CSSR TRADE OFFICIAL CALLS FOR INCREASED TRADE

Jakarta ANTARA NEWS BULLETIN in English 9 Jul 86 p A1

[Text] Czechoslovakia still intends to import more Indonesian commodities if the country's export of various industrial products to the latter can be further stepped up.

This was revealed by Jiri Holsan, the director of the Czech stand during a press conference held at the 1986 Jakarta Fair here Tuesday.

Indonesian exports to Czechoslovakia today comprise rubber, tin, leather, spices, and coffee, while Indonesian imports from the country consist of various equipments and spare parts, musical instruments such as piano, and chemical substances for pharmaceutical industries.

The Czech stand is displaying a number of industrial products managed by the country's 11 major international trade organization, such as Strojimport, one of the world's most well-known industrial equipment exporter.

According to Holsan the trade balance between Indonesia and Czechoslovakia is still in favor of Indonesia.

Therefore, the participation of Czechoslovakia in the Fair is mainly intended to increase the export of several commodities to Indonesia, he said.

Trade volume between Indonesia and Czechoslovakia reached its top in the '60s. At that time Czechoslovakia supplied all the necessary equipment for Indonesian major factories such as Tonasa (cement), Intirub (tire) and textile factories which are still operating up to now.

In efforts to further increase economic and trade relations between the two countries starting August last year Czechoslovak Airline opens a direct flight connecting Prague and Jakarta.

Aside from increasing bilateral trade relations, the participation of Czechoslovakia in this year's Jakarta Fair is also aimed at stepping up the cultural cooperation, said Jiri Holsan.

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CSO: 4200/1261

INDONESIA

JAPANESE CONSORTIUM TO BUILD TELECOM NETWORK

Jakarta ANTARA NEWS BULLETIN in English 27 Jun 86 p A4

[Text] Jakarta, June 27 (ANTARA)--A contract for the construction of a telecommunication network in Indonesia worth 110 billion Yen would be signed next month by the Indonesian government and a five-company consortium of Japan.

A spokesman from Sumitomo Corp said here Thursday the contract was the largest one financed by soft loan Yen.

The five Japanese companies--Toyo Menka, NEC, Fujitsu, Japan Radio and Sumitomo--would begin preparing the telecommunication equipment which were needed in the construction of the project as soon as the contract was signed.

The project scheduled to be completed around the end of 1989 covering a telephone network will link 150 cities and villages in Java, Sumatera, Sulawesi, through a digital system.

The spokesman said the project would facilitate communication among the central government and the regions as well as inter regional communication.

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CSO: 4200/1243

INDONESIA

HABIBIE SAYS COUNTRY TO GO AHEAD WITH HIGH-TECH INDUSTRY

Jakarta ANTARA NEWS BULLETIN in English 23 Jun 86 p A2

[Text] Jakarta, June 22 (ANTARA)—Indonesia will go ahead with its plans to develop high technology industries in the wake of declining oil revenues, which account for 70 percent of its income.

"We are not going to stop because of the falling oil prices," State Minister for Research and Technology and concurrently president director of PITN (Nusantara Aircraft Industry) B.J. Habibie told a press conference here Sunday.

Speaking in his capacity as chairman of the Indonesia Air Show (IAS) 86's organizing committee, Habibie said that most facilities of IPTN had been built at a cost of some US\$600 million during the past oil boom period.

Instead of being discouraged, the dynamic minister said that Indonesia was now looking forward for international cooperation to develop high technology industries.

With its ten-year-old and growing IPTN as capital, Habibie said that in the coming ten years he expected the birth of several hundreds of vendor companies to supply the need of IPTN.

He invited foreign companies to make joint ventures with their Indonesian counterparts to produce vendor items, which until now are still under the monopoly of the US, Europe and Japan.

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CSO: 4200/1243

INDONESIA

POSSIBLE MANUFACTURE OF EXOCET BY IPTN DISCUSSED

Jakarta ANTARA NEWS BULLETIN in English 25 Jun 86 p A7

[Text] Jakarta, June 25 (ANTARA)--Talks between France and Indonesia are underway over the possibility of manufacturing Exocet missiles under licence following last year's defence agreement between the two countries, it was disclosed here Wednesday.

In its pavillion at the Indonesia Air Show 86 (AIS 86) IPTN (Nusantara Aircraft Industry) is showing a model of CN-235 in maritime defence guise, complete with two Exocets mounted on the under carriage sponsons.

Also on display at IAS 86 is the first Indonesian produced Super Puma which will be fitted with Aerospatiale AM39 Exocet missiles which are usually combined with Omera 3212 I-band radar.

The Exocet/Omera combination was first employed on the French Navy "Super Frelon" choppers and now are also on the Super Pumas for maritime defence duties in Abu Dhabi.

The Indonesian-produced Super Puma made its initial flight one month ago and now it still has about seven months to go before it must complete the sea trials test program early 1987.

The Indonesian Navy (TINI-ALO) today possesses Exocet MM38 which can be launched from patrol boats and frigates.

However, since TNI-AL's warships have no helicopter deck of sufficient space to accommodate the Super Puma, it plans to operate the choppers from large landing support ships.

With regard to this IPTN engineers have been able to adapt French-designed harpoon securing system to attach the Super Puma to deck during landing phase.

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CSO: 4200/1243

INDONESIA

IPTN TO HAVE JET ENGINE MAINTENANCE FACILITY

Jakarta ANTARA NEWS BULLETIN in English 26 Jun 86 p A1

[Text] Jakarta, June 26 (ANTARA)--IPTN (Indonesia's Nusantara Aircraft Industry) will be equipped with jet engine maintenance facility following the signing of a memorandum of understanding (MOU) between the US engine maker, General Electric, and IPTN here Wednesday.

The MOU was signed by IPTN President Director B.J. Habibie and GE General Director Ken Bowman at the IPTN stand the Indonesia Air Show (IAS) ground here.

In compliance with the MOU, GE will make a jet cell completion for jet engine maintenance at the IPTN plant in Bandung.

The jet cell is now already available in the IPTN-UMS (Universal Maintenance Centre) in Bandung, which was set up by the two parties earlier.

GE will complete the jet cell by the end of this year so that IPTN-UMC will be ready to give services of jet engine maintenance, repair and overhaul by early next year.

The US company will also complete IPTN-UMC with support of the required tools and spares to enable it to give best quality services to its customers.

On the same day at the same place after the signing of a purchase contract for 15 CN-235 planes to Merpati Nusantara Airline, IPTN concluded a cooperation agreement in product support and after-sales services with the Indonesian domestic airline.

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CSO: 4200/1243

INDONESIA

MERPATI AIRLINE BUYS IPTN'S CN-235S

Jakarta ANTARA NEWS BULLETIN in English 26 Jun 86 p A2

[Text] Jakarta, June 25 (ANTARA)--Indonesia's domestic airliner, Merpati Nusantara Airlines (MNA) and IPTN (Indonesia's Nusantara Aircraft Industry) Wednesday signed a contract for the purchase of 15 CN-235 planes produced jointly by IPTN and its Spanish counterpart CASA.

The contract was signed by MNA President Director Suratman, IPTN President Director B.J. Habibie in the presence of Communications Minister Rusmin Nurjadin at the IPTN stand at the Indonesia Air Show (IAS) 86 ground here.

The signing of the contract represents an important event underlining the national airline's growing confidence in IPTN's products.

MNA officially declared today that it had chosen the 40-44 passenger plane to strengthen its fleet.

Meanwhile, Dr Habibie stated that the domestic market for commuter aircraft like CN-235 was fairly good. He was convinced that the purchase of 15-CN 235s would be soon followed by other airlines of aircraft operators. Thus far IPTN has used 23-IPTN produced NC-212 Aviocars.

CN-235, which is claimed to be very suitable for both military and civil operation on account of having STOL capability, wide body/rampdoor and good at maritime patrol, won certification from the Joint Certification Board (JCB) whose members are Spanish and Indonesian Airworthiness Office last June 20.

A spokesman of IPTN said that 169 CN-235 were already in firm order and 90 in option.

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CSO: 4200/1243

INDONESIA

NUSANTARA AIRLINE, IPTN SIGN MAINTENANCE AGREEMENT

Jakarta ANTARA NEWS BULLETIN in English 26 Jun 86 p A3

[Text] Jakarta, June 25 (ANTARA)--Merpati Nusantara Airlines (MNA) has now improved its relation with the IPTN aircraft manufacturing company by signing a service sale contract by both sides for engine overhaul, repair and testing as well as engine control and accessories, IPTN announced Wednesday.

This agreement covers the services of TPE 331 engine overhaul, repair and testing as well as PT 6 engine control and accessories.

MNA has for ten years become one of IPTN's customers. With the signing of the agreement both sides will be able to make better and broader cooperation in coming years.

Every sale of IPTN aircraft to customers will now be accompanied with product supports and after-sale services, the company said. In cooperation with GE (General Electric), IPTN has established a new division, the Universal Maintenance Center (UMC).

UMC will play an important role in the field of after-sale services (engine maintenance, repair and overhaul).

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CSO: 4200/1243

INDONESIA

NO CONTRACTORS REQUEST OIL PRODUCTION SHARING FORMULA AMENDMENT

Jakarta ANTARA NEWS BULLETIN in English 26 Jun 86 pp A5, A6

[Text] Jakarta, June 25 (ANTARA)--Until now no foreign oil contractors in Indonesia have asked for an amendment in the existing production-sharing contract, based on the 85:15 ratio, said one of the Pertamina leaders Wednesday.

"There is no request now for reviewing the formula," Sutan Assin, director of domestic logistics, to reporters after accompanying the board of directors of Mobil Oil Corporation to meet President Soeharto.

He did not disclose if the present formula needs a change in the face of slumping oil prices, just saying: "We must look at their interest (oil contractors) and take into consideration whether it is favourable or not to us."

Hinting the still great interest of foreign oil contractors to operate in Indonesia, he quoted as example that Pertamina was now waiting for the signing of two new contracts with Esso of the United States and Total of France for oil exploration in Central Sumatera.

The signing of these contracts is now pending the conclusion of the requirement concerning the new Indonesian taxation, he added.

Pertamina is also now offering a tender for oil exploration in several parts of Indonesia, particularly the Eastern part. "It seems quite interesting to prospective oil contractors," he said.

Down

Asked about the number of exploration funds earmarked by the foreign contractors for 1986/1987, Sutan Assin said: "I don't remember the exact figures, it is close to US\$2.5 billion. It is lower than the US\$3.5 billion of 1982/1983.

He considered as natural the drop in these exploration funds in the current hard time of world oil market.

According to Sutan Assin, the contractors which lowered their exploitation budgets are largely those who have not started production yet, "Whereas the ones which have already got into production still arrange a quite impressive amount," he said.

Pertamina alone in 1986/1987 earmarked more than US\$400 million for exploration and production or the same as the figures in two years ago.

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CS0: 4200/1243

INDONESIA

MOBIL OIL WILL CONTINUE OPERATION IN MAKASSAR STRAIT

Jakarta ANTARA NEWS BULLETIN in English 26 Jun 86 p A6

[Text] Jakarta, June 25 (ANTARA)--Pertamina's production-sharing contractor, Mobil Oil Indonesia Inc., will continue to explore for oil and gas at the Makassar strait and on land in East Kalimantan, the public relations office of Pertamina said Wednesday.

Pertamina thus denied press report which recently alleged that Mobile Oil Indonesia had returned its operation areas at the strait and in East Kalimantan to Pertamina.

The two operation areas were obtained by Mobil Oil Indonesia on the basis of production-sharing contracts with Pertamina under an agreement signed in March 1973 for the strait and an agreement signed in February 1982 for the Semayang Block in East Kalimantan.

The operation area which Mobil Oil Indonesia had returned to Pertamina was a contract area at the South China sea, that is the Natuna D-2 Block, an area of 5,040 square kilometers, which was obtained on a production-sharing contract signed in December 1979.

The operation area was returned to Pertamina 1984.

Mobil Oil Indonesia is also operating at the offshore Block B and Block Peusangan in North Sumatera as well as at the offshore Pase area in Aceh.

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CSO: 4200/1243

INDONESIA

VALUE OF LNG, NONOIL EXPORTS UP

Jakarta ANTARA NEWS BULLETIN in English 21 Jun 86 p A5

[Text] Jakarta, June 20 (ANTARA)--The value of Indonesia's liquefied natural gas (LNG) export in the first three months of this year rose by some five percent against the same period last year, statistics of the central bank Bank Indonesia showed.

The LNG export value in the January-March period rose to US\$1,034 million this year from US\$986.59 million last year.

About US\$493.37 million worth of the exported LNG came from the Badak field in East Kalimantan and about US\$540.77 million worth came from the Arun field in Aceh.

The bulk of the LNG export was shipped to Japan.

Non-oil export

Meanwhile, the value of non-oil commodity export in the same period rose by 0.07 percent this year compared with last year.

The non-oil export value rose to US\$1,509 million in the first three months of 1986 from US\$1,508 million in 1985.

The non-oil commodity export boils down as follows: timber products US\$156.11 million, rubber US\$89.33 million, handicrafts US\$79.35 million, coffee US\$78.34 million, shrimp US\$40.47 million and tin US\$34.49 million.

These goods were exported to the United States, Japan, the EEC countries, Hongkong, Singapore, South Korea, East European countries and the Middle East countries.

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CSO: 4200/1243

INDONESIA

MINISTER ADMITS RICE OUTPUT MAY DROP

Jakarta ANTARA NEWS BULLETIN in English 7 Jul 86 p A4

[Text] Junior Minister for Boosting Rice Production Ir. Wardoyo admitted that rice production would probably fall this year due to the reduction of ricefields.

"But the drop of rice production will not threaten the rice self-help scheme provided that it will not last too long", he told the press after together with Minister of Agriculture Achmad Affandi met with President Soeharto in Bina Graha Monday.

He said that in this dry season ricefield acreage was only 1.26 million hectares a reduction of 1.46 million hectares from last year.

But the acreage of second crops fields was extended by one million hectares, he added.

The two agriculture officials reported to the head of state the results of a coordinating meeting in Ujungpandang, South Sulawesi last week and their planned visit to Rome to attend the Asia Pacific FAO regional meeting in Rome.

Wardoyo said that he noted on the difference of rice production figures between BPS (Central Bureau of Statistics) and the regional agricultural offices. "This must be checked and discussed again, enabling us to have an accurate and reliable data", he added.

On rice production Wardoyo cannot confirm whether it would drop or not, but the second crops production would have a sharp rise, particularly maize and soybeans.

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CSO: 4200/1261

INDONESIA

NUCLEAR POWER SAID NOT NEEDED FOR ELECTRICITY UNTIL 2010

Jakarta ANTARA NEWS BULLETIN in English 9 Jul 86 p A2

[Text] President Director of the state electricity company, PLN, Sardjono is of the opinion that coal still holds the major role in the provision of electric energy in the future and nuclear-powered electricity will not be needed until the year 2010.

This was stated by Sardjono at an Indonesia-Britain seminar on nuclear energy here Tuesday.

He further said economic advantages on the use of nuclear energy can only be gained if the nuclear-powered electricity can offer an 8.0 per cent rate reduction or the price of coal increases by 2.0 per cent annually.

The advantage can also be obtained if the basic cost for coal-powered electricity totals more than 20 per cent.

Sensitivity studies showed that even a 10 per cent increase in the basic capital of nuclear units will erase the economic advantage.

In the long term electric energy development, it is estimated that the need of electric energy will be noted at 7,188 megawatt in 1995 and 11,003 megawatt in the year 2000.

In the year 2005 and 2010 the need will reach 16,128 megawatt and 23,544 megawatt respectively which will all be fulfilled by geothermal, water, steam, coal/oil and turbine gas energy.

The seminar is attended by 100 participants from Indonesia and Britain and will last until July 9,

Present at the opening ceremony were the director general of BATAN (National Atomic Energy Board) Djalil Ahimsa and the British Ambassador to Indonesia.

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CSO: 4200/1261

MALAYSIA

BERJAYA PARTY TO QUIT BARISAN NASIONAL

BK201215 Kuala Lumpur Domestic Service in English 1130 GMT 20 Jul 86

[Text] Berjaya, which was allocated only one parliamentary seat to contest in Sabah in the coming general elections, today declared it will quit the Barisan Nasional, citing restructuring purposes as the reason. Berjaya President Datuk Haji Mohamed Noor Soor said the Berjaya Supreme Council arrived at the decision as it was meeting at the party headquarters in Kota Kinabalu this afternoon. He said an official letter on the pullout would be sent to Barisan Nasional Chairman Datuk Sri Dr Mahathir Mohamed tomorrow. He was speaking to reporters after chairing the meeting. He said the party wanted to leave the Barisan Nasional due to reorganization purposes and rejected the suggestion that the reason was the seat allocation.

Datuk Haji Mohamed Nor said recent events in the party had compelled its leaders to make this decision so as to rehabilitate the party. He said Berjaya felt it had to take the action because rebuilding the party will take a long time, with several factors having to be considered. On whether Berjaya would contest in the coming election, he said it just might and if it made a decision to do so, it would not cooperate with any party. He stressed that Berjaya was not boycotting the general elections and said that making a decision to resign from the Barisan Nasional and to take part in the elections, was the right of any citizen in this country. Berjaya was admitted into the Barisan Nasional in 1977 after toppling USNO [United Sabah National Organization] in the 1976 elections.

Meanwhile, Chief Minister Datuk Joseph Pairin Kitingan said the Sabah Barisan Nasional was ready to face the general elections and was confident of a clean sweep despite the pullout of its original member Berjaya. Datuk Pairin, who is also state Barisan Nasional chairman, said he would call a state Barisan Nasional committee meeting to discuss and decide on the candidates to be fielded for the 20 parliamentary seats. He was speaking to reporters in Kota Kinabalu on his return from Johor Bahru where he attended the wedding of the Tengku Mahkota [crown prince] of Pahang and the Yang Dipertuan Agong's [paramount ruler's] third daughter. He said the list of candidates would be finalized and sent to the Barisan Nasional headquarters in Kuala Lumpur. He said the state Barisan Nasional's decision to allocate 14 parliamentary seats to PBS [Party Bersatu Sabah], five to USNO, and one to Berjaya was accepted at the federal Barisan Nasional Supreme Council meeting recently.

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CSO: 4200/1256

OPPOSITION PARTY ISSUES ELECTION MANIFESTO

BK230829 Kuala Lumpur NEW STRAITS TIMES in English 21 Jul 86 p 3

[Text] Petaling Jaya, Sun [20 July]--The DAP [Democratic Action Party] has drawn up a 20-point manifesto for the general election which among other things focuses on denying the Barisan Nasional a two-third majority.

DAP deputy Secretary-General Lee Lam Thye, who released the manifesto at a press conference today, said the Barisan Nasional which scored a landslide win in 1982 did not use the majority to build a united Malaysia and people.

People "should deny the Barisan Nasional a two-third majority to defend and preserve democracy and fundamental rights in Malaysia."

"Our slogan for the election, Enough is Enough: No More Two-Third Majority!, reflects our aim of denying the Barisan Nasional an overwhelming parliamentary majority," Mr Lee said.

The Barisan Nasional government has mismanaged the Malaysian economy, resulting in retrenchment and unemployment, especially graduate unemployment, in Malaysia.

The manifesto states that the DAP will, among other things, seek to:

--Repeal repressive laws like the Internal Security Act, the Official Secrets Act, the Printing Presses and Publications Act and the Universities and the University Colleges Act;

--Revoke the four Proclamations of Emergency of 1964, 1966, 1969, 1977;

--Amend the Constitution to entrench and protect parental right to custody and control over their children below 18 years so as to bring to an end incidents of non-Muslim minors being converted to Islam without parental consent or knowledge;

--End the division of Malaysians into Bumiputeras [indigenous] and non-Bumiputeras and consider all Malaysians, regardless of race, religion or region, as first-class citizens;

--Deport illegal immigrants and launch a nation-wide verification exercise to flush out the hundreds of thousands of illegals who have acquired fraudulent identification, citizenship and voting rights;

--Terminate the New Economic Policy and its policy of Bumiputera quotas and percentages in 1990;

--Increase the number of local universities and approve the establishment of local universities;

--Establish a Royal Commission of Inquiry into the labor laws in Malaysia to repeal all anti-labour provisions; and

--Chart an independent and non-aligned foreign policy to protect Malaysia's national sovereignty and promote world peace.

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CSO: 4200/1156

MALAYSIA

ASEAN DIPLOMATIC EFFORT ON CAMBODIA VIEWED

BK211248 Kuala Lumpur International Service in English 0800 GMT 21 Jul 86

[Station commentary]

[Text] ASEAN is determined to win more international support for its decision on Cambodia. With two important world gatherings looming close, namely the nonaligned summit conference and the UN General Assembly, it is vital to counter the massive propaganda campaign that has been launched by the Soviet Union in support of Vietnam's occupation of Cambodia. ASEAN has no reason whatsoever to doubt that a very large segment of the international community will, as in previous years, continue to vote for its viewpoint on the Cambodian crisis. At the same time, in world affairs with so many vital issues competing for the attention of governments and peoples, it is in the interest of world peace and stability to urge for a speedy settlement in Cambodia.

It is to the Third World missions in particular that ASEAN will address its diplomatic moves. Vietnam managed to win widespread support with its war against American intervention. At the same time, Soviet and Vietnamese propaganda efforts have consistently played up the excesses of the Pol Pot regime in Cambodia during the period 1975 to 1979, using that unfortunate era as justification for present day Vietnamese policies. It is also important that the Afro-Asian and Pacific bloc of nations who comprise the majority of the nonaligned members as well as the UN membership should know the realities of certain neocolonial policies practised by Vietnam. ASEAN has patiently and persistently tried to negotiate with Vietnam to work out a political solution to the continuing crisis. There were times when it seemed that Vietnam was on the verge of making a positive move to begin a new era in its relations with its ASEAN neighbors. However, inevitably every overture ended in either a stalemate or an indefinite postponement.

The world also needs to be aware of yet another dimension to the Cambodian crisis. Thailand has had, owing to its geographical proximity to Cambodia, to be on a constant state of alert in view of the presence of Vietnamese forces on its border. From time to time, the Vietnamese forces have crossed the border into Thai territory and caused alarm among Thai villagers and Cambodian refugees. This is a war of nerves that could easily deteriorate into a form of slow motion aggression that can threaten further the peace and stability of the entire Southeast Asian region. Only last week it was

reported that Thai forces were preparing to push back Vietnamese troops who had crossed over from Cambodia in search of Cambodian resistance units. Vietnam still maintains a force of about 140,000 in Cambodia. There is little credibility in Vietnamese publicity about troop withdrawals from Cambodia. The only withdrawal of people from Cambodia is the exodus of refugees who prefer to seek asylum in Thailand and eventual resettlement in third countries. The prospect of making a living in Vietnamese-dominated Cambodia is not something that attracts them.

ASEAN is confident that world public opinion will see the validity of its posture on Cambodia.

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CSO: 4200/1256

MALAYSIA

COMMENTARY VIEWS FOREIGN POLICY, UPCOMING ELECTION

BK221203 Kuala Lumpur International Service in English 0800 GMT 22 Jul 86

[Station commentary]

[Text] The Malaysian federal parliament has been dissolved and the people of Malaysia will go to the polling booths on 2 and 3 August. Overseas, there is bound to be much interest in the foreign policy posture of the various political parties that are contesting elections. There are really no controversial positions in respect of external relations issues among the political parties. The ruling party of Malaysia, from the time of Merdeka or independence was gained, has been the Alliance and later the Barisan Nasional, a coalition of a number of parties, representing various sections of the Malaysian communities.

However, there is an identity of outlook on foreign policy matters between the ruling Barisan Nasional, or National Front, and the opposition parties. It would therefore be correct to speak of a nonpartisan attitude toward external relations, irrespective of the views held on domestic or internal issues.

Successive National Front governments have evolved a foreign relations policy to reflect Malaysia's interests in international peace and security, apart from the reality of its geopolitics. Therefore, Malaysia attaches priority to ASEAN and it plays a vital role in strengthening the economic and political ties to make intra-ASEAN cooperation more meaningful. All Malaysian parties support the ASEAN commitments and the ASEAN policy of seeking a political solution to the Cambodian problem.

In respect of external economic relations too, there is uniformity outlook. All parties value the contributions that foreign investment can make, not only for employment opportunities but also for the transfer of technology. This has contributed to a very stable and healthy investment climate that all parties would like to see continuously.

There is a cluster of international issues which receives widespread support from not only Malaysian political parties, but also voluntary associations and other citizen groups. The issue of apartheid and the recent boycott of the Commonwealth Games in Edinburgh is but one example. Malaysians of all

political persuasion support the uncompromising stand taken by the prime minister, Mahathir Mohamed, toward the racist South African regime. Similarly, there is enthusiasm for the establishment of a permanent commission of the South. All parties are aware of the leadership role of the Malaysian prime minister in respect of Antarctica and the importance of treating its resources as the heritage of all mankind. Similarly, there is universal endorsement of the evolution of a new international economic order and the goal of fair and equitable prices for all primary commodities.

The entire Malaysian community has been feeling the impact of the world recession and the adverse consequences of protectionism in the industrialized nations. Therefore, there is much interest in measures aimed at expanding export trade and in tapping the potentials in tourism and other services. All Malaysian parties sympathize with the people of Palestine and their aspirations for a homeland free of foreign domination.

It is a foregone conclusion that the Barisan Nasional will be once more at the helm of the ship of state. There will be continuity and stability in Malaysian foreign policy after the forthcoming general election.

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CSO: 4200/1256

MALAYSIA

BRIEFS

RADIO, TV PROVIDES ELECTION COVERAGE--Sitiawan, Sat [19 July]--Radio and Television Malaysia (RTM) will provide full coverage of the general election, especially the announcement of the results. Deputy Information Minister Ng Cheng Kuai said today that as in previous general elections, the results would be relayed over television as they become known to keep the public informed. Speaking to reporters after the presentation of a special grant to Sekolah Menengah Jenis Kebangsaan Nan Hwa here, he said he was not sure if any political party would be allowed to present "political ceramahs" [lectures] over RTM this time. Mr Ng, who is member of Parliament Lumut and Barisan Nasional head there, said his constituency was ready for the general election. --Bernama. [Text] [Kuala Lumpur NEW STRAITS TIMES in English 20 Jul 86 p 1 BK] /8918

CSO: 4200/1256

NEW ZEALAND

POLITICAL REPORTER ON 'DEMISE' OF ANZUS SPIRIT

HK130551 Wellington THE EVENING POST in English 8 Jul 86 p 6

["Weekwatch" by Chief Political Reporter Tony Garnier: "Treaty Without a Spirit"]

[Text] ANZUS is dead, long live ANZUS! That seems to be the upshot of the latest slogging match between Wellington and Washington on the operational status of the trilateral defence treaty.

When the mishmash of fiction, half-truth and occasional fact which highlighted the latest exchanges is stripped away, then, as Deputy Prime Minister Geoffrey Palmer put it, "really nothing has changed."

The treaty still exists and none of the three members has announced plans to withdraw or even to change the wording of the document as signed in 1951.

So far so good. The treaty will remain. But there is, as with all treaties from Waitangi to ANZUS, a "spirit" or undefined code of appreciation, conduct the principle under which the treaty can be made to operate or not operate.

There can now be little doubt that the ANZUS spirit is dead.

Its demise has created a defence vacuum which may or may not be easily filled.

The defence review, due to report to government shortly, may come up with a new defence policy attractive to the government and New Zealand people. The ANZAC [Australia-New Zealand] defence spirit may be strengthened in a more formalised [word indistinct] defence arrangement. New Zealand may shift the focus of its defence and security away from the Western umbrella to identify more as a non-aligned nation. We could adopt an isolationist role. And it is equally possible that the shape of future defence policy will be dictated by global trends and pressures, as much from the United States as from actions of the Soviet Union, Britain or even the other superpower with a Pacific presence, France.

There are numerous alternatives to ANZUS for New Zealand to explore and choose from in Pursuing an independent foreign and defence policy. However, it seems more debate and ANZUS scrubcutting is needed ofr a clear policy path to emerge.

The spirit of ANZUS was fuelled in the 1950's against a backdrop that included the Korean War, the victory of communist forces in China in 1949, and the ending of allied occupation in Japan with a peace treaty under which future Japanese rearmament was not ruled out. As an adjunct to the treaty with Japan, Australia with New Zealand support, sought a guarantee of U.S. defence help in case of a resurgence of Japanese militarism.

The ANZUS Treaty was born, but even at that stage its real worth was questionable. The U.S. qualified its "guarantees." When the treaty faced Congressional approval in 1951, a key figure in its negotiation, John Foster Dulles, testified that "there is no question at all of the U.S. ever sending any troops to Australia and New Zealand." What the ANZACS really wanted was "to have some appearance, at least, of a shield around them at home of sea and air power," he said.

The spirit of ANZUS was nonetheless enshrined in a treaty with three main but clearly "soft option" clauses:

--That the parties are formally only bound to consult together.

--That action under the treaty by any party is conditional on approval through its constitutional processes.

--That the treaty relates only to threats or attacks "in the Pacific area."

The treaty has never been invoked, not even during the Vietnam hostilities of the 1960's and 70's. And, plainly, the focus of "threat" under which it conceivably might be one day invoked has shifted from fear of Japanese militarism to concern at Soviet expansionism in the Pacific, particularly from its new Vietnam naval base at Cam Ranh Bay.

In fact, the formal treaty has had far less significance than the many "understandings" and "arrangements" introduced "within the spirit of ANZUS." This has been the operational heart of ANZUS--a network of military interchanges, joint exercises, training, communication and intelligence sharing which has been killed off.

There is even an ANZUS corridor within the huge Pentagon complex in Washington.

Within the spirit of ANZUS, New Zealand (and Australian) militarists developed a valuable and congenial interchange. But whether it has really helped "guarantee our security" is debatable.

Like the Soviet Union, the U.S. has, in recent years, expanded militarily in the Pacific. With the huge growth in nuclear armaments, the U.S. has made it obvious to Wellington (and Canberra?) that the rationale for ANZUS in Washington's eyes is its ability to expand the military aspects of nuclear weaponry. In U.S. eyes the spirit of ANZUS embraces acceptance of this point of view.

U.S. Secretary of State George Shultz apparently made this clear to Prime Minister David Lange during the recent Manila meeting. As Mr Palmer reported at a post-cabinet conference, "Mr Shultz (had) said that there were inevitably occasions on which we would have to accept nuclear weapons in New Zealand."

However, against this "understanding" from the U.S. view of the ANZUS spirit, must be placed the hedge it has on whether it would come to New Zealand's aid if called upon.

From the U.S. view, it appears the spirit of ANZUS, 35 years on, still does not include a guarantee to commit defence help in a real emergency.

Mr Palmer alluded to this point when he quoted an updated assessment of U.S. defence strategy by its Defence Secretary Caspar Weinberger earlier this year.

Mr Weinberger said the Reagan Administration had taken office in 1981 committed to rebuilding American global military power necessary for stable deterrence. And he reaffirmed the 1969 Nixon or Guam Doctrine of the post-Vietnam era that the U.S. "should not commit forces to combat unless our vital interests are at stake," drawing on the point of the ANZUS treaty document requiring prior approval of the Congress.

In short, the U.S. "understanding" of the spirit of ANZUS is that it provides only a tenuous guarantee to ensure our security. Long before the nuclear issue arose, it was one of the main New Zealand (and Australian) question marks hanging over the debate of ANZUS' usefulness, specially after the Vietnam failures.

Reports from Australia claim it is a key factor in the Australian defence review. They accept the need for greater defence capability and self-sufficiency. It is a presumption to rely totally on the U.S. helping out. There is also an Indian Ocean element to Australian defence, not covered by the ANZUS Treaty.

More recently, of course, New Zealand has added a second hedge to the spirit of ANZUS. Successive governments have claimed that ANZUS is a conventional defence agreement, not a nuclear alliance. The U.S. has disputed this view.

Opinion poll and defence review submissions plainly show New Zealanders want no part of nuclear defence strategies. They don't support a doctrine of nuclear weapons deterrence through ANZUS, it seems.

At best, the ANZUS Treaty and its spirit has been a spotted paper tiger, a convenient vehicle for respective partners to advance their self interests. But the treaty has never been invoked, and with changing perceptions of defence needs, the ANZUS spirit has eroded.

New Zealand has its Canberra Pact with Australia to fall back on and perhaps develop further. Australia and the U.S. seem to be heading towards their own bilateral Canberra-Washington Pact, perhaps when their defence leaders meet in San Francisco next month.

In the absence of a real "threat" to the peace and security in the Pacific area, ANZUS could fizzle into obscurity.

The ANZUS spirit will remain dead and buried, and the treaty will stay "inoperable," as it has done since 1951.

However, the ANZUS spirit should not be confused with, or taken to be, a total measure of the state of the NZ-U.S. bilateral relationship. They are different.

The natural affinity between New Zealanders and Americans is self-evident without any formal alliance, just as the rivalry between New Zealanders and Australians is obvious, despite the ANZAC spirit and CER. [expansion unknown]

Mr Lange attended the U.S. July 4 celebrations in Wellington last week. There was some frost in the air, some of those present have reported, but the will to co-operate, even in defence, was re-stated.

Mr Lange has repeatedly said that the government's anti-nuclear stance is not mutually incompatible with maintaining friendly relations with the U.S.

And despite the demise of the ANZUS spirit and understandings evident at the Manila meeting with Shultz, Mr Lange has also found scope to link arms to hit out at the Soviet Union.

A WASHINGTON POST report of the Lange-Shultz meeting stated that while U.S. officials said there seemed to be no direct Soviet threat to NZ, Mr Shultz claimed the Soviets "are actively trying to increase their influence in the Pacific islands north and west of New Zealand."

In Adelaide a day or so later, Mr Lange agreed with Mr Shultz but denied that the Anzus row with the U.S. was helping the Soviets. He accused the Soviet Union of having a long-term aim of subversion in the South Pacific and of using fishing agreements with impoverished island nations as a means of doing that.

The question for the West (that is, the U.S. and allies), the PM suggested, was whether to allow the Soviet influence to increase or should it take economic steps to support the small Pacific nations so they didn't need to depend "on contrived de facto aid from the Soviet Union."

It is difficult to imagine a more pro-ANZUS sentiment. In one sense ANZUS, as a nuclear alliance, is dead, but in another sense, to meet the Soviet "threat," ANZUS is still alive and kicking.

New Zealand is to ANZUS and South Pacific defence what France is to NATO and Western Europe's defence--it prefers to remain unfettered, with the same impulse for freedom of action but oblivious to the contradictions.

It is the perfect example of New Zealand democracy at work. First you infuriate Washington by challenging ANZUS, then you lash out at Moscow for subverting our South Pacific patch. What could be more even-handed diplomacy than that?

NEW ZEALAND

PAPER REFLECTS ON RELEASE OF FRENCH AGENTS

HK170621 Wellington THE EVENING POST in English 12 Jul 86 p 8

[Editorial: "Rhetoric is No Defense"]

[Text] After months of making statements he must now regret, the prime minister, Mr Lange, acted in the country's broader interests by accepting the necessity for a deal with the French.

Nationalism is still the most potent form of political magic and our nationalistic sentiments were roused by the French incursion and the bizarre attack on the Rainbow Warrior. Although our moral position was impregnable our economic position in relation to the French and their partners in the EEC was weak.

The result was that the threat of economic sanctions was shown to work for possibly the first time in diplomatic history.

While our former Allies in the Western Alliance allowed their distaste for our anti-nuclear policy to mute their expressions of support for our sense of outrage, it was apparently not politically possible for the prime minister to minimise the long-term danger to the government's credibility by pointing out that terrorism is a worldwide problem and at the end of the day states still have to do business with each other.

Now reality has supervened--as it always will--and we have a basically satisfactory solution provided Mr Lange's and Mr Moore's unfortunate claims about the non-negotiability of our sovereignty can be forgiven and forgotten. In accepting that they have had to eat their words senior members of the government have acted in the country's interests if not in the interests of their own immediate political comfort.

Is it too much to hope that they can now accept some form of assistance in settling our arguments with the whole Western alliance?

We have had a painful reminder that moral armour is no protection in a wicked world. While our old friends like the British and the Americans are more patient than the French, it is hard to believe that they will be prepared to continue for much longer their protection of our trading interests while their ships are banned from our ports. The irony of Mrs Thatcher defending our butter market from attacks by one of her own back-benchers should not be lost on us.

It would be unrealistic to expect this support to continue, just as it would be unrealistic to assume that the Americans will leave their base facilities at Harewood. While the removal of this base may appease anti-American sentiment, is it in the larger interests of the country or of the hard-pressed South Island job market?

This is an uncomfortable time to be a New Zealander. We are uneasy with ourselves and at odds with our natural friends in the Pacific, the Asean countries, North America and Europe.

The government--perhaps to its own surprise--tapped a reservoir of anti-American and anti-British feeling but there is no future for us in trying to compensate for our smallness by trying to act as moral adviser to the rest of the world. It is not a sustainable role. Instead we will become just another Pacific territory doing international business through the good offices of the Australians. What is at stake now is our relevance.

The need for the French solution should be a warning that a fog of rhetoric is no defence against real problems and in our own interests we should seek to repair our standing with our old friends and allies.

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CSO: 4200/1251

PHILIPPINES

AQUINO PROMOTES TWO OFFICERS TO MAJOR GENERAL

HK080916 Manila THE MANILA EVENING POST in English 4 Jul 86 pp 1,3

[Text] President Aquino yesterday promoted two more officers in the new Armed Forces of the Philippines [AFP] even as she emphasized that the key strategy of her government's national security plan was to relegate the military to the background and put the brunt on people's participation.

Promoted to major generals were Renato de Villa, PC [Philippine Constabulary] chief, and Eduardo Ermita of the Philippine Army, both of them former brigadier generals.

Based on emerging trends, Aquino is inclined to give military promotions in twos, the way she simultaneously elevated the ranks of now Maj. Gen. Salvador Mison and Rear Adm. Servillano Martillano last week.

The Ministry of National Defense and the Office of the AFP chief of staff reportedly recommended for promotion 40 officers from the different services.

In the two events sponsored by the military establishment, Aquino described her national security program as one that would not go after rebels with hammer and tongs and would keep "the people at arm's length--or 'Armalite's' length--or of erecting higher walls or denser barbed wire fences, but of bringing the people in to join us in a united effort to protect the liberties and institutions we all cherish."

At the concluding ceremonies of the civil military seminar-workshop at Camp Aguinaldo Quezon City, Aquino quoted a passage from the book "The Second Principle of Counterinsurgency," which, she said, underlines the philosophy of her national strategy plan.

The passage from the book she said Defense Minister Juan Ponce Enrile gave her, reads: "There is a very strong temptation in dealing both with terrorism and with guerrilla action for government forces to act outside the law, excuses being that the processes of law are too cumbersome, that the norms-safeguards in the law for the individual are not designed for an insurgency and that a terrorist deserves to be treated as an outlaw anyway. Not only is this morally wrong, but also over a period, it will create more practical difficulties for a government that it solves."

The principle is clear, Aquino pointed out. "We cannot fight a good cause with evil weapons."

She had given the same message earlier when she spoke before the graduates of the 20th regular class of the Master in National Security Administration (MNSA) course at the National Defense College of the Philippines (NDCP) in Fort Bonifacio, Makati.

Aquino said "our new armed forces must now wage peace."

She pointed to the "most valuable lessons in national security and defense" taguth at the "crash course held at EDSA last February."

"There, at the height of our snap revolution," Squino said "both civilian and our men in uniform learned the higher, more sophisticated techniques of keeping the peace, maintaining order and securing not only the interests of government but also the collective well-being of all Filipinos."

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CSO: 4200/1241

PHILIPPINES

RAM 'PLOT' TO DISCREDIT CABINET MEMBERS ALLEGED

HK080759 Quezon City ANG PAHAYAGANG MALAYA in English 30 Jun 86 pp 1, 7

[Article by staff member Joel C. Paredes]

[Text] A faction of the Reform the Armed Forces Movement (RAM) is behind the plot to discredit members of the Aquino Cabinet who were critical of the military's alleged human rights violations, sources said yesterday.

Highly-placed Cabinet sources told MALAYA that RAM officials were even "floating ideas of communists in the (Aquino) Cabinet."

The same sources noted that among the "targets" of the elite group were Executive Secretary Joken Arroyo and Presidential Spokesman Rene Saguisay, since the group thought they were "very influential" on the President's decision-making and major policies.

"RAM is playing politics and this is dangerous," remarked a ranking Aquino government official who requested anonymity.

In fact, the official said RAM has been trying to sow "rumors" that at least 40 percent of the new officials in the Aquino Government are communists or sympathetic to them.

Sources said some RAM members were critical of some officials, particularly Saguisay and Arroyo, since they were former human rights lawyers who had evidence implicating some military officers who had joined the elite group in the armed forces shortly before ex-President Marcos' downfall in February.

Press reports last week had quoted sources close to RAM as saying that they were blaming President Aquino's advisers and Malacanang's "Little Indians" for allegedly sitting on the recommendation of defense and military officials to promote 40 senior armed forces officers.

Sources noted that RAM was trying to link up with Information Minister Teodoro Locsin Jr as their "connection" at the Palace, since they reportedly believed he was a "novice" in politics.

Locsin noted that they were not discussing politics, although he admitted his friends at the RAM were giving him tips on how the government should combat the 17-year-old communist insurgency.

Locsin said he advised his friends at the RAM not to believe in rumors of Cabinet and other government agencies being infiltrated by communists.

"I hope you guys don't believe in that 'cause if you do you have a poor intelligence network," Locsin reportedly remarked in a meeting with RAM friends, among them Colonels Gregorio "Gringo" Honasan and Red Kapunan.

/6662

CSO: 4200/1241

PHILIPPINES

RUMORED CABINET 'RIFT' KNOCKS STOCK PRICES

HK180149 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 17 Jul 86 p 9

[Text] Prices of blue-chip or favorite stocks yesterday staged a sharp retreat, which stockbrokers traced to the brewing political storm reportedly triggered by the growing rift between two top members of the Aquino government.

The stock averages in the Manila and Makati stock exchanges registered declines prematurely putting at end the beginnings of a booming market.

Favorite stocks PLDT [Philippine Long Distance Telephone Company], San Miguel and Benguet shed-off gains accumulated the past trading days as jittery investors started to liquidate their holdings.

According to market old hands, the rift between Executive Secretary Joker Arroyo and Defense Minister Juan Ponce Enrile appeared to have dampened the interests of investors to hold on to their investments.

"What scared them most," one market source noted, "were the speculations of an open confrontation between the Arroyo and Enrile camps within the next 60 days, which many had perceived to be a 'bloody' one."

The Arroyo-Enrile rift was pushed to the surface by the failed attempt last week of former MP Arturo Tolentino to organize his own government, which the Arroyo camp had reportedly claimed would not have happened without the "support" of the defense minister.

Enrile, on the other hand, had been critical of what he described as the "invasion" by the communist bloc of the Cabinet and key posts in government.

Certain officials in the Aquino government had earlier admitted that the running feud between Arroyo's left-leaning camp and the military establishment represented by Enrile had stalled the implementation of the government's economic recovery program and the peace talks initiated by President Aquino with the Communist Party of the Philippines (CPP).

At the Manila Stock Exchange (MSE) yesterday, 17 of the 43 traded issues suffered losses while 11 notched price gains.

PLDT lost P3 when it closed at P152, while San Miguel A shed-off P0.50 by closing at P50. San Miguel B closed lower at P62 from Tuesday's P64.

Benguet A, which had lately started to move up, closed the day at P31.50 or P2 lower than its Tuesday closing quote of P33.50.

Other stocks that suffered losses were Fertilizer, First Holdings A and B, Globe-Mackay, PNCC and Sime Darby.

The exchange's volume turnover for the day reached 179,169,880 traded shares worth P32,565,825.

The commercial-industrial index was down 13.13 at 375.26, so was the mining average that fell 10.09 to 1,175.06. The oil sector closed .027 lower at 1.116.

Over at the suburban Makati bourse, 14 of the 25 traded issues suffered reverses and only three positing price advances. The day's volume totaled 149,068,380 valued at P31,898,455.

The exchange's composite average dropped .4457 to 39.9773 because of the declines in all the stock indices.

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CSO: 4200/1241

PHILIPPINES

MINDANAO OIC, EX-GOVERNORS' POWER STRUGGLE HIGHLIGHTED

HK210957 Quezon City NEW DAY in English 21 Jul 86 p 2

[Text] The recent round of kidnappings in Lanao del Sur has enabled the province's formerly willy-nilly OIC [Officer-in-charge], Saidamen Pangarungan, to barge into the scoreboard in the ongoing political tussle between two former Lanao del Sur governors, Muhammad Ali Dimaporo and Princess Tarhata Lucman.

The object of this unique and somewhat deadly political exercise is to try to "persuade" the government--and the public as well--who really has the right, the capability and the political muscle to sit as governor, observers said.

The one who racks up the most "successful releases" of kidnap victims by alleged terrorists, wins the game. Princess Lucman and Dimaporo lead Pangarungan with two points apiece (inasmuch as they split the achievement of successfully negotiating the release of French priest Fr. Michelle Gigord and American pastor, Rev. Brian Lawrence).

Pangarungan was given no chance to even score a single point early in the ballgame until last Thursday when he produced the 10 Carmelite nuns after negotiating with their kidnappers deep in the jungle fastness of Lumbayanagi town about 40 kilometers from Marawi City. The fact that he may have paid a ransom of P200,000 for the nuns' freedom does not detract from Pangarungan's feat. He landed on the scoreboard with 10 points, and served explicit warning that he is also a force to reckon in the province.

But the military and the national leadership aren't amused anymore about their little game. Dimaporo, in fact, may soon find himself in hot water as the military has not ruled out the possibility of his participation in all of the three kidnappings (Gigord's, the 10 nuns' and Lawrence's).

According to intelligence reports, Ismael Dimaporo, the elder Dimaporo's nephew and leader of a band of "Barracudas" (the popular term for Dimaporo's private army), engineered the kidnappings of both Gigord and Lawrence.

Emissaries led by Pangarungan's and RUC [Regional Unified Command] 12 commander, Brig. Gen. Rodrigo Gutang, claim to have spotted and identified

Commander Bacat Gadia Dimaporo, a leading "Barracuda" chief, sitting beside the head of the kidnapers, Aragasi Pasandalan, during the negotiations for the presence of one of the top "Barracuda" commanders heightened the military's suspicion that former Governor Dimaporo indeed had a hand in the kidnappings.

"He wasn't there for a neighborly visit, I can guarantee you that," noted one military source who declined to be identified.

For his part, the former political warlord who is loyal to ex-president Ferdinand Marcos borders [as published], denies that he is involved in the kidnappings. "This is the work of my detractors who continue to convict me in the newspapers," Dimaporo said in a prepared statement. "In fact, I am calling for the unity of all the people of Mindanao to annihilate all the kidnapers in the area. I have never terrorized anyone in all my forty years in "public service and I dare anybody to prove otherwise."

Princess Lucman, on the other hand, has been very vocal about her views that only she can effect peace and order in Lanao del Sur if she is installed as governor. She claimed that Pangarungan is largely ineffective in this task because "the people here seldom listen to him" while Dimaporo rules "by the use of terror."

In fact, upon effecting the release of Gigord several weeks ago, Lucman could not help but cite Pangarungan's "inability" to resolve the kidnapping and negotiate for the priest's release.

"My people can no longer wait," she said recently. "The call to arms becomes more and more appealing to them with each day that this government refuses to move."

Both Dimaporo and Lucman, however, cannot now claim that they are the only ones who can effect the release of kidnap victims. "I've got to hand it to the guy (Pangarungan)," the same military source commented. "He knew he had to do something fast or he might as well kiss the Lanao del Sur governorship goodbye. Surprisingly though, he delivered."

Given the temperament of the Muslim populace and the peculiar three-pronged political forces that now threaten to tear it apart, Lanao del Sur remains volatile.

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PHILIPPINES

REORGANIZATION COMMITTEE WANTS 4 AGENCIES DROPPED

HK150405 Quezon City BUSINESS DAY in English 14 Jul 86 p 20

[Article by Alejandro V. Almazan]

[Text] President Corazon C. Aquino has been asked to abolish four government ministers, create nine new offices, and reorganize 11 others.

Minister Luis Villafuerte of the Presidential Commission on Government Reorganization (PCGR) made this recommendation in a confidential report to President Aquino. The report dated June 11, 1986 was the result of PCGR's comprehensive study on government reorganization.

Recommended for abolition are the Ministry of Human Settlements, Ministry of Information, Ministry of Tourism and General Services Administration.

The Villafuerte report said the functions of these ministries will have "to be dismantled and transferred to appropriate agencies or privatized" for the sake of efficiency and economy.

Proposed for reorganization, meaning functions would have to be reduced are: Executive Office; President's Personal Office; Ministry of National Defense; Ministry of Education, Culture and Sports; Securities and Exchange Commission, and Ministry of Social Services and Development.

The government agencies recommended for strengthening are Ministry of Local Governments, Ministry of Trade and Industry, Office of Muslim Affairs, National Science and Technology Authority and National Security Council.

The Office of Muslim Affairs would be reorganized into Office of Muslim and Tribal Filipinos.

The National Science and Technology Authority would be transformed into a Ministry of Science and Technology.

The PCGR recommended the creation of nine new agencies to enable the government to respond to special needs of the people and the specific concerns of specific constituencies.

Recommended for creation are: Ministry of Housing, Commission on Culture, Commission for the Urban Poor, Commission on Sports, Commission on National Records Management, Presidential Press Office, National Statistical Coordinating Council, Presidential Advisory Council for Socio-Economic Development and National Communications Agency.

The rest of the government's agencies and ministries would be retained and their functions streamlined, the Villafuerte commission said.

These include the Office of the Budget and Management, National Economic and Development Authority, Ministry of Finance, Ministry of Foreign Affairs, Ministry of Justice, Ministry of Health, Ministry of Labor and Employment, Ministry of Agriculture and Food, Ministry of Agrarian Reform, Ministry of Public Works and Highways, Ministry of Transportation and Communications and Ministry of Energy.

The PCGR report said the adoption of these recommendations aim to provide a network of inter-relationships among ministries for a balanced distribution of power and a check and balance mechanism against abuse.

Such a setup will provide a clear line of command from ministries to the presidency resulting in a well-defined accountability of ministry performance.

It will also result in a lean government that will concentrate on the delivery of services to the people, the Villafuerte report said.

On the other hand, PCGR noted that a number of problems could emerge in the implementation of the recommendations.

For one, carrying out the proposals could lead to the dislocation of government personnel that would contribute to the present unemployment crisis.

Problems could also arise from some ministers and heads of agencies facing a loss of or reduction in powers.

Anticipating the problems that could arise from the loss of powers by some ministers; PCGR proposed that new responsibilities and assignments may be given to ministers whose functions may be reduced or eliminated.

The PCGR report outlined how the four ministries will be abolished.

For the Ministry of Human Settlements, it was recommended that its shelter functions of regulation, finance, production and marketing be spinned off into a new Ministry of Housing.

This proposal however has been superseded by a new recommendation recently submitted to the president asking for the creation of Housing and Urban Development Commission or Council instead of a Ministry of Housing.

The ministry's other function of livelihood development, regional operations, community development and special projects would be dismantled and transferred to the appropriate agencies.

For the Ministry of Information, it was suggested that its two functions of broadcast management and national and program information be transferred to two new offices.

The two offices which will be created to absorb these functions are the National Communication Agency and the Presidential Press Office.

The abolition of the Ministry of Tourism, in the meantime, will involve the transfer of its tourism promotion and tourism services function to the Ministry of Trade and Industry.

The dismantling of the General Services Administration will involve the transfer of its assets, liabilities, necessary personnel and records to the Bureau of Maintenance, Ministry of Public Works and Highways.

The reports further said if these proposals are accepted by the president, PCGR would proceed to its second phase of work.

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CSO: 4200/1241

PHILIPPINES

REPORTAGE ON ACTIONS TAKEN BY CONSTITUTIONAL COMMISSION

Change to 'Open-party' System Approved

HK180243 Manila Far East Broadcasting Company in English 2300 GMT 17 Jul 86

[Text] The Constitutional Commission approved on second reading an article abolishing the two-party system in the 1973 constitution in favor of a free and open-party system that will evolve according to the free choice of the people. Former labor minister Blas Ople said this constitutional innovation will pave the way for a multiparty system that will stress party principles rather than personalities.

Teachers' Right To Join Unions Recommended

HK180437 Quezon City BUSINESS DAY in English 17 Jul 86 p 12

[Text] Government employees, including teachers, will be prohibited from staging a strike, but they can join labor unions and enter into collective bargaining to improve their lot.

This new provision was approved by the Constitutional Commission (Con-Com) on second reading of the draft provision on Civil Service Commission (CSC) last Tuesday night.

Another salient feature on the CSC provision is the ban on appointment of military officers and men in active service to a civilian position in government, including government-owned or controlled corporations.

The appointment of members of the Armed Forces of the Philippines who are in active duty has been a controversial issue particularly during the years of martial rule.

The approved CSC provision was drafted by the committee on constitutional bodies, chaired by newsmen Vicente Foz.

The new magna carta of the government workers was approved by 33-1 votes. The lone dissenting vote was cast by Commissioner Ambrosio Padilla. He

said the right to self-organization or to form unions might be abused to paralyze the operations of the government.

Opposition leader Blas F. Ople, who co-authored the amendatory provision with Commissioner Christine Tan, Jaime Tadeo, Minda Luz, Steward Quesada and Eulogio Lerum said the approval of the self-organization right effectively resolves a constitutional stalemate.

In the 1973 Constitution the right to self-organization was specified in the declaration of principles, while the provision on the civil service makes the more than 1.2 million government workers eligible to organize a union.

Ople, a former labor minister said, the right to organize does not necessarily mean the right to strike. In the same manner that the present law (Republic Act No 875) allows government workers to unionize but prohibits them from staging a strike.

Ople pointed out that the new provision will be "explicitly for government workers. This is so because previous governments have the "tendency to apply earlier laws to only the private sector employees."

The strike ban does not deprive the government employees the right to petition for redress against the government nor necessarily mean only to bargain for increased [words indistinct] author said.

The Con-com in plenary session also approved by unanimous vote an amendment introduced by Commissioner Ricardo Romulo to include government corporations with original [word indistinct] within the scope of the civil service. To be exempted, however, are the subsidiary or second generation companies registered under the general corporation law.

Thus, the Government Service Insurance System will be covered by the civil service, but such companies which it owns as the Philippine Airlines, the Manila Hotel and the Hyatt Hotel will be covered instead by the labor code.

The Romulo amendment broke a legal question that resulted from a Supreme Court decision in NHA versus Juco case which placed government corporations under the civil service coverage regardless of whether they perform proprietary function or not.

Under the common provisions as approved, the three constitutional commissions-- Civil Service, Elections and Audit--shall enjoy fiscal autonomy. Their approved annual appropriations are to be released "automatically and regularly."

The Con-Com approved on second reading an amendment mandating the future legislature to enact laws for the protection of casual or temporary workers in the government.

The amendment declared that future legislation must regularize the status of casual employees after a probation period, this is similar to a provision in the labor code which grants regular status to a casual workers after a continuous six month probationary status.

Safeguards Against State Excesses Reinforced

HK200005 Manila Far East Broadcasting Company in English 2300 GMT 18 Jul 86

[Text] At the Constitutional Commission [Con-Com] the members of the Constitutional Commission, still smarting from the oppression of the past regime, reinforced the rights of individuals from abuses of the state. In addition to time-honored rights of individuals entrenched in the 1935 and 1973 constitutions, the Con-Com adopted safeguards that would correct excesses experienced during the strong arm rule under martial law and the years immediately following it. The provision of the bill of rights seeks the abolition of the death penalty.

If the Con-Com committee on provisional [as heard] chaired by Flor Angel Rosario Braid were to be followed, the Philippine Constabulary will be abolished together with the paramilitary forces.

Commissioner Rosario submitted a draft provision mandating the establishment and maintenance of one police force which will be national in scope and civilian in character. It will be administered and controlled by the national police commission.

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PHILIPPINES

REPORTAGE ON CRITICISM OF PCGG'S SEQUESTRATION POWERS

Accusation of Grave Abuse Levelled

HK161555 Manila MANILA BULLETIN in English 16 Jul 86 pp 1, 13

[Article by Rod L. Villa, Jr.]

[Excerpt] Leaders identified with President Aquino and the opposition took a common stand yesterday in condemning controversial Presidential Commission on Good Government (PCGG) at the Constitutional Commission.

Fr. Joaquin Bernas and Felicitas Aquino, both human rights leaders, and the four-man minority group led by Blas F. Ople decided to merge three "parallel" resolutions calling for the dismantling of the PCGG upon adoption of the new Constitution by yearend.

They accused the PCGG of grave abuse of sequestration and other powers in violation of the Freedom Constitution during a public hearing conducted by the amendments and transitory provisions committee headed by Jose Suarez Jr.

Their charges were supported by a testimony of Maria Clara Lobregat, president of the Philippine Coconut Producers Federation (Cocofed), who said that the PCGG committed serious violations of "due process and of human and property rights."

The committee resumes the public hearing tomorrow with testimonies by PCGG commissioners Raul Daza and Ramon Diaz, as well as Dakila Castro, lawyer of the sequestered Tourist Duty Free Shops.

Minister Criticizes Sequestration Order

HK180502 Quezon City BUSINESS DAY in English 17 Jul 86 p 7

[Text] Lucena City, July 16--Natural Resources Deputy Minister Bienvenido O. Marquez Jr. has assailed the sequestration by the Presidential Commission on Good Government of share-holdings of 1.4 million farmers in United Coconut Plants Bank (UCPB).

Marquez said it was all right for the PCGG to sequester UCPB shares held by Eduardo Conuengco Jr. and other Marcos cronies but not those of 1.4 million coconut farmers.

Marquez said the PCGG's offer of five directorial seats in the UCPB for farmers was done to please the farmers whose shares in the bank were sequestered against their will and consent.

The former assembly-man from Quezon said some members of the PCGG are abusing their powers and authority.

Paper Attacks Sequestration Powers

HK180137 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 17 Jul 86 p 4

[Editorial: "Clipping PCGG Powers"]

[Text] Like the genie that escaped from the fabled bottle, the Presidential Commission on Good Government [PCGG] is growing bigger and more menacing, and efforts thus far to contain it are proving futile.

The PCGG, for instance, has ruled that it can seize suspected ill-gotten wealth that is used as security for bank loans. It has, so its legal head declares, a superior claim over mortgaged properties which the commission suspects to have been acquired with ill-gotten wealth.

With the ruling, even deposits made by a government official or a government employe can be sequestered by the PCGG on the mere suspicion that the deposit is proceeds of ill-gotten wealth. Worse, there are even reports, undenied thus far, that even the law assuring the confidentiality of bank deposits has been repealed by the order creating the PCGG, again because of the superior claim of the state.

That these reports are causing--not merely contributing to--instability can no longer be denied. When the government or any of its instrumentalities usurp the rights or prerogatives of the banking community, the very stability of the entire system is threatened. As it is, local and foreign investors have to think more than twice; the PCGG, on mere suspicion, may freeze accounts and assets mortgaged to the banks, and once it does, there is really no telling when and where relief might come.

This stand should be re-examined. Hopefully, the Constitutional Commission is taking a long second look on the possible clash between the sequestration powers and the bill of rights.

As Fr. Joaquin Bernas says, the sequestration powers of the PCGG were granted with the understanding that they are covered by the bill of rights. Therefore, sequestration cannot be considered as an exemption from the bill of rights. The PCGG is no separate government. Not even its creators probably envisaged that the PCGG would now be wreaking that kind of havoc in our society.

PCGG Appeals to Concom

HK180239 Manila Far East Broadcasting Company in English 2300 GMT 17 Jul 86

[Text] The Presidential Commission on Good Government [PCGG] yesterday-- appealed to the Constitutional Commission [Con-Com] not to clip its sequestration powers. The appeal was made by PCGG chairman Jovito Salonga during a Con-Com hearing on resolutions filed by opposition members Blas Ople and Joaquin Bernas, including Felicitas Aquino. Salonga, together with PCGG commissioners Raul Daza and Ramon Diaz, were invited by the Con-Com committee on amendments and transitory provisions chaired by Jose Suarez.

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CSO: 4200/1241

PHILIPPINES

PCGG PLANS MAJOR REVAMP TO IMPROVE IMAGE

HK180539 Manila NEWS HERALD in English 17 Jul 86 pp 1, 6

[Article by Vic Sollorano]

[Text] All fiscal agents and officers-in-charge [OIC] appointed by the Presidential Commission on Good Government in the 219 entities it has sequestered will be recalled, signalling the first phase of a major revamp in the commission to spruce up its public image.

Commissioners Quintin Doromal yesterday said the PCGG operating teams (task forces) will be recalled in groups to:

Review their responsibility in relation to their mission orders, policies and procedures of the commission.

Review their conduct vis-a-vis complaints against them, and enforce appropriate action when warranted.

Update them on new policies and procedures and guidelines of the commission.

Impress upon them that the main responsibility of PCGG is safeguarding the assets of sequestered companies by preventing the transfer, concealment, destruction or dissipation of the assets.

Doromal said that any action of the OICs and fiscal agents, as well as other operating team members, inconsistent with their responsibility will not be tolerated by the commissions.

A review committee will handle the re-screening of these volunteers and make recommendations to PCGG Chairman Jovito R. Salonga. But the commission en banc will make the final decision.

Doromal, PCGG executive director Feliciano Cruz Jr., and newly appointed external affairs director Mel Morales are members of the committee.

A fiscal agent of the commission, handling a sequestered import firm, said there is widespread intrigue among the different operating teams. The nature of the intrigues is basically financial, but he did not elaborate.

Doromal admitted the commission had lately been receiving complaints on the activities of fiscal agents and OICs.

Charges of graft and corrupt practices have even been hurled at some of these PCGG-appointed personnel, tainting the image of the commission.

A weary Salonga talked with newsmen for a few minutes yesterday and said there are a lot of people with power out to discredit the commission.

"All I can say is try not to be used by them in this smear campaign," he said.

Doromal said complaints against PCGG personnel, filed formally with the commission, will be investigated by the review committee.

A PCGG employee said many staff members are demoralized because of poor remuneration in view of their volunteer status.

The revamp is also designed to "rationalize" the payment scheme of the commission. "It was all right during the first month," said Doromal, referring to the voluntary recruitment method of the commission, "but this is now the fourth month the PCGG has been operating."

He stressed that it is now imperative that the PCGG takes a closer look at its internal problems "before things get worse."

With the recall of the OICs and fiscal agents, Doromal said the commission is also studying how to replace those who will be recalled from far-flung areas of the country.

The problem is who will take care of the sequestered assets while the PCGG people are in Manila for reorientation.

As part of the review, the PCGG will hold a conference of the commissioners and its volunteers in the field to plot their best possible moves in the days ahead.

The PCGG plans to appoint one OIC or fiscal agent to sequestered assets of similar nature. This means one fiscal agent and one OIC for sequestered hotels, also one each for sequestered publishing companies, and so on.

The idea is to limit the hiring of personnel to manageable levels. But Doromal said there is no formal commission order yet on the plan prior to a thorough evaluation.

Meanwhile, PCGG chairman Jovito R. Salonga yesterday discounted the moves of Con-Com members to clip the PCGG sequestration powers.

"We'll see about that," Salonga said, commenting on the moves of Con-Com members to adopt a transitory provision to freeze all sequestration orders issued by the PCGG.

Con-Com representatives Joaquin Bernas and Felicitas Aquino charged that the unlimited exercise by PCCG of its powers have caused political and economic instability.

Salonga said only those with ill-gotten wealth are opposed to the powers of the PCCG, while the majority of Filipinos fully supports the task of recovering the loot of the ousted dictator, his relatives and associates.

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CSO: 4200/1241

PHILIPPINES

PCGG ENMESHED IN DISPUTE OVER FARMLAND

HK200356 Quezon City BUSINESS DAY in English 18 Jul 86 p 15

[Text] Chasing ill-gotten wealth, the Presidential Commission on Good Government (PCGG) has gotten itself involved in billion-peso business controversies. This time, at Sta. Rosa, Laguna, the five-man commission is enmeshed in a conflict concerning farm lands.

Some 65 farmers and their families have cultivated about 55 hectares of prime agricultural land in barangay Malatlit that would otherwise lie idle.

The land belongs to the Independent Realty Corp [IRC], the holding company that PCGG has sequestered after businessman Jose Y. Campos admitted that he had organized it for ex-president Marcos.

The PCGG representative now in charge of IRC, Crisanto Gualberto III, wants the farmers to vacate the land and has filed a petition for a court injunction against the farmers.

A hearing has been set at the Sta. Rosa municipal court on July 28.

The farmers, who are members of the Kilusang Mambubukid ng Philipinas [Peasants' Movement] (KMP), have taken this case to PCGG and to Malacanang.

In a letter to President Corazon C. Aquino dated July 15, the farmers said most of them have been farm workers of long-standing at the IRC estate.

They claimed that some of their members were summarily removed from their jobs by the previous IRC management without being paid any benefits.

With the farm inactive, most of them have been without work. The farmers decided to cultivate part of the idle estate with palay and other food crops, a KMP representative said.

The IRC farm used to be planted to palay and sugar.

The farmers are asking PCCG to withdraw the court complaint filed by its officer-in-charge against them. They are also asking the government to allow them to farm the land while the final disposition of the sequestered property hands.

Their immediate concern is to be able to harvest by September the palay crop that they have planted last June. KMP, however, wants to take this opportunity to press its demand for land reform.

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PHILIPPINES

NEGROS PARTITION DECLARED UNCONSTITUTIONAL

HK151541 Manila MANILA BULLETIN in English 15 Jul 86 p 1

[Article by Re G. Zanaligan]

[Excerpt] The Supreme Court, noting the "dirty tricks" and "secret haste" in the creation of Negros del Norte in 1985, has declared unconstitutional the law that divided the province of Negros Occidental.

Negros Occidental was divided by Batas Pambansa Bilang 885 with three cities and eight municipalities carved out of the mother province to form Negros del Norte.

In a unanimous decision written by Justice Nestor B. Alampay, the Supreme Court ordered the return of the three cities and eight municipalities to Negros Occidental and declared Negros del Norte "a legal fiction whose existence should be put to an end as quickly as possible."

The constitutional infirmities unearthed by the High Court in the creation of Negros del Norte were:

1. The area of the new province of Negros del Norte is not in conformity with the 3,500-square kilometer standard for a province set by the Local Government Code.
2. The plebiscite conducted in the formation of the new province was not among the residents of the whole of Negros Occidental but only among the residents of the affected three cities and eight municipalities.

The creation of Negros del Norte was questioned before the Supreme Court by 14 prominent residents of Negros Occidental.

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CSO: 4200/1241

PHILIPPINES

'LOYALISTS' TO DEFY RALLY BAN BY JOGGING

HK171519 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 17 Jul 86 p 2

[Text] Marcos loyalists vowed yesterday to continue defying the total ban imposed by President Aquino on all loyalist rallies by holding regular jogging sessions in various parts of Metro Manila.

Lawyers Oliver Lozano and Nemi de Pedro III, both officers of the Freedom Fighters of the Philippines [FFP], said the joggings, which would test Aquino's ban, would start from the UP [University of the Philippines] track and field stadium in Quezon City, Ayala Ave., in Makati, and some other places which have yet to be decided.

Simultaneous with the jogging sessions, a similar strategy used to be employed by Butz Aquino's August Twenty-One Movement (ATOM), are planned pickets in all sequestered properties by the Presidential Commission on Good Government and big rallies in different parts of the city.

The two loyalist leaders, who claimed there are several cause-oriented organizations from various parts of the country which are poised to join their movement, also said the Alliance of Jeepney Operators and Drivers' Association and the Laguna-Binan Jeepney Operators and Drivers' Association have formally pledged their support. The Pambansang Samahan ng mga Driver sa Maynila at Suburbs (Pasang Masda) had joined earlier.

Lozano also bared the high-pitched gathering of signatures in various headquarters of the FFP and during the regular Sunday gatherings at Rizal Park in Manila.

He said their movement, which has now more than 60 member organizations, is nearing its target mark of 10.8 million signatures. "Once we reach this mark, which we can easily do since this is the same number which voted for Marcos during the February elections, we will urge former Sen Arturo Tolentino to establish effective control of government," he said.

Tolentino took his oath of office as acting president at the Manila Hotel last July 6 on the alleged clamor of some five million signatories.

The three lawyers maintained also that the Manila Hotel affair, described by some sectors as an aborted revolt, was not a rebellion for "it lacks the essential element of armed uprising." What really happened, according to them, was a simple peaceful rally, followed by a peaceful oathtaking.

PHILIPPINES

ENVOY TO JAPAN COMMENTS ON TEXTBOOK CONTROVERSY

OW181133 Tokyo KYODO in English 0908 GMT 18 Jul 86

[Text] Manila, July 18 KYODO--The Philippines has not taken any position on the controversy arising from a Japanese school textbook on history which several Asian countries say present a distorted account of Japan's actions during World War II, a Foreign Ministry official said Friday.

"There is no issue as far as we are concerned," Ambassador Josue Villa, head of the Foreign Ministry's Asian-Pacific section, told KYODO NEWS SERVICE in a telephone interview.

"I don't think there is any need to issue any statement," he said, adding that it was an issue between Japan and its neighbors, China and South Korea.

Villa said the Foreign Ministry would have been informed by its embassy in Japan if any references were made in the textbook about Japan's occupation of the Philippines.

"We have not received any official report on it," he said.

A Foreign Ministry spokesman had earlier pointed out that if any inaccurate references were made in the textbook about the Philippines, the new government "would have protested just like the Chinese."

The textbook drew protests from China and South Korea who charged that parts of the book present an inaccurate picture of Japan's military activities in Asian countries before and during the war.

A revised version of the textbook was approved last week by Japan's Education Ministry for use in senior high schools next spring.

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CSO: 4200/1241

PHILIPPINES

ECONOMIC MINISTER SAYS PESO OVERVALUED 10-20 PERCENT

HK161511 Quezon City BUSINESS DAY in English 16 Jul 86 p 3

[Excerpts] The peso is overvalued by 10 percent-20 percent against the U.S. dollar, a Cabinet official said yesterday, attributing to "independent sources" the extent of the overvaluation and adding that the overvaluation is "not a universally-held opinion."

Economic Planning Minister Solita Monsod made this disclosure in the open forum following her speech before the alumni associations of seven U.S. universities at the Hotel Inter-Continental. She spoke on the economic path the country is taking.

Monsod said the academe, with both local and foreign economists, feel the peso is overvalued for two reasons: first, the barriers set up against imports; and second, the abnormally very low demand for consumer goods.

"Add to those the Binondo Central Bank and you have reasons to believe why there is an overvaluation," she said.

The felt overvaluation notwithstanding, Monsod said the government will not intervene but merely allow market forces to determine the peso's real value.

She said the peso will be allowed to "seek its own level" with the Central Bank [CB] intervening in the foreign exchange market only to ensure there is no wild fluctuation in the exchange rate.

"Besides, the Binondo CB has already been dismantled," she said.

If the estimated 10 percent-20 percent overvaluation is correct, bankers said, then the "real" value of the pesos against the dollar should be anywhere between P22 and P24.

If this range becomes the new exchange rate, export industries will be encouraged to export more goods and services as they will be getting more pesos for their earned dollars, bankers said.

On the government moves toward privatization, Monsod said the government is actually "waiting to dispose" of and is "anxious" to privatize government corporations. If these firms are not sold, the government has to spend for their operations some P28 billion this year, she said.

"While businessmen are waiting and seeing, the government is waiting to dispose," she said. "We're hoping that businessmen are going to come and we hope negotiations will start. It takes two to tango. We don't want to legislate prices, so we're waiting for you, we're waiting for the market forces."

On the series of sequestration moves by the Presidential Commission on Good Government (PCGG), Monsod admitted that "there have been mistakes made but at least these are being rectified and are not being buried."

She noted that in the beginning, PCGG mistakenly sequestered entire corporations rather than just the questionably-owned shares in these corporations.

"We realize that sequestration moves can have destabilizing effects so the government is trying to smoothen them (the moves) out," she said, noting that the Constitutional Commission is making its own moves as it has been "getting very upset" with the PCGG.

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CSO: 4200/1241

PHILIPPINES

REFORM OF GOVERNMENT FINANCIAL INSTITUTIONS APPROVED

HK180411 Quezon City BUSINESS DAY in English 17 Jul 86 p 3

[Text] The Monetary Board, the policy-making body of the Central Bank, has approved a package of measures implementing the proposed reforms of government financial institutions, primarily the restructuring of the Development Bank of the Philippines (DBP) and the Philippine National Bank (PNB).

In a memorandum submitted to President Corazon Aquino during yesterday's cabinet meeting, Finance Minister Jaime V. Ongpin and CB [Central Bank] governor Jose B. Fernandez Jr. outlined the program that drastically reduces the government banks' involvement in the banking system.

The reform of government financial institutions is actually one of the qualitative performance criteria the government will discuss with the International Monetary Fund (IMF) starting today.

An IMF mission will be in town for a week to discuss with the government a request for a new standby credit agreement and a compensatory financing facility.

The signing of the new standby agreement with the IMF is necessary before the government can start talks with the country's 483 creditor banks for a multi-year restructuring agreement on the Philippines' foreign debt.

The reform of government financial institutions is also expected to pave the way for the Philippines to tap a special economic recovery loan from the World Bank totaling between \$200 million and \$250 million.

Negotiations with the World Bank are expected to start shortly and the government is expecting loan releases from the facility to start in October. The loan releases will help cover a portion of the government budgetary deficit estimated at P27 billion for this year.

In their memorandum to the President, Ongpin and Fernandez said the involvement of government banks in the over-all banking system will be reduced to about one fourth instead of the present one half of the entire system.

This will require the rationalization of DBP and PNB in terms of reduced resources and capital. The charters of both government banks will be revised to provide for the reduced size and scope of operations and also to remove certain advantages not available to private banks such as the extension of special guarantees.

The Monetary Board also approved the reduction of the amount of government deposits in each of these banks. Obligations of these banks will no longer enjoy government guarantees.

Ongpin and Fernandez noted that the national government has been compelled to subsidize DBP and PNB operations through regular infusions of capital amounting to P8 billion in 1984, P10 billion in 1985, and P19 billion in 1986. For this year alone, the two banks account for 17 percent of the total government budget of P113 billion.

Under the reform plan, nonperforming assets of DBP and PNB will be transferred to the government so that the two banks can have clean balance sheets. No additional capital infusion would be coming from the national government and the continued operations of DBP and PNB would depend solely on their performance.

In the past, as a result of the expanded activities of these two banks, a total of P142 billion had been lent out by them to about 260 large companies, some of which, due to financial problems, have already been taken over by the banks.

With the transfer of their non-performing assets to the national government, the total resources of DBP will be reduced to about P10 billion, while that of PNB will be cut to about P24 billion. The net worth of DBP will be about P2 billion while PNB will have a net worth of P3 billion.

The disposition of the non-performing assets will be administered by a five-man group chaired by the finance minister, with the National Economic and Development Authority (NEDA) director general, the budget minister and two appointees from the private sector as members.

Efforts will also be directed to develop appropriate interest-bearing CB securities for the investible funds of the national government and government corporations.

With the reforms in place, Ongpin and Fernandez said the drain on national government funds caused by the two banks will be stopped although their existing debts which will be assumed by the government, will still have to be serviced as they mature.

Employees of DBP and PNB who will be affected by the restructuring will be offered incentive programs which will provide additional compensation for those who will choose to retire early voluntarily.

The group will arrange for an implementing mechanism, such as an asset-disposition company, to undertake the actual disposition of the assets.

The government under the reform program will also adopt a firm policy for the divestment of the six government acquired banks with immediate actions to be undertaken to secure buyers for these banks.

Existing policies will be revised to limit national government and government corporate deposits in government banks to "working balances" with the excess to be deposited with the CB.

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PHILIPPINES

TOP 10 IMPORTS VALUE FALLS 12 PERCENT

HK180327 Quezon City BUSINESS DAY in English 17 Jul 86 p 2

["Economic Indicator" column: "Top 10 Imports Value Falls 12 Percent"]

[Text] The principal imports of the country during the January to April period this year registered a freight-on-board [FOB] value totaling \$936.07 million, down 11.64 percent from the yearago level of \$1,059.37 million, data gathered from the Central Bank showed.

The top 10 imports, which constituted 57.26 percent of the total foreign purchases made during the period, were mineral fuels, lubricants and related materials, machinery other than electric; base metals; cereals and cereal preparations; transport equipment; electric machinery apparatus and appliances; explosives and miscellaneous chemical materials and products; chemical elements and compounds; textile fibers not manufactured into thread and yarn; and manufactures of metal.

Mineral fuels, lubricants and related materials imports, accounting for 42 percent of the total value of principal imports, amounted to \$393.08 million, down 21.4 percent from the \$500.55 million reported in the same period last year.

In terms of percentage, imports of machinery other than electric registered the biggest decrease from \$135.39 million to \$99.47 million--a decline of 26.53 percent. The drop was attributed to the poor business conditions which resulted in a slump in industrial production.

Of the 10 principal imports, only five items registered increases. Topping the list were chemical elements and compounds which grew by 31.23 percent from an FOB value of \$68.53 million to \$89.96 million. This was followed by base metals which increased 27.14 percent from \$59.94 million to \$76.21 million.

[Table on following page]

10 Principal Imports
(FOB value in thousand US\$)
January to April 1985 & 1986

Items	1986	1985
Mineral fuels, lubricants & related materials	393,081	500,558
Machinery other than electric	99,471	135,386
Base metals	76,211	59,942
Cereals and cereal preparation	58,945	66,124
Transport equipment	21,193	19,317
Electric machinery apparatus & appliances	84,412	111,395
Explosives and miscellaneous chemical materials and products	61,141	47,927
Chemical elements and compounds	89,956	68,533
Textile fibers not manufactured into thread & yarn	31,511	25,380
Manufactures of metal	20,148	24,811
Others	698,682	676,157
Total for 10 principal imports	936,069	1,059,373
Total imports	1,634,751	1,735,530

Source: Central Bank

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PHILIPPINES

'DEBT PAPER' REVEALS IMPROVED CREDIT STANCE

HK190746 Quezon City BUSINESS DAY in English 18 Jul 86 p 2

[Article by reporter Ma Victoria A. Gochoco-Perez]

[Text] The Philippines' debt paper is now believed to be selling at 70 percent-73 percent of its value compared to only 60 percent last January, an indication that the country's credit-worthiness is improving fast.

Foreign bankers told BUSINESS DAY that the Philippines' debt paper--a financial instrument of a country used to gauge payments/credits--is perhaps more respected now in the secondary market than even economic Planning Minister Solita Monsod believes.

Monsod said last Tuesday that Philippine debt paper is now selling at 60 percent of its value in the secondary market compared to the Peruvian debt paper which can command only 20 percent of its value.

This means that a foreign banker who holds 100 worth of Philippine debt paper can readily find buyers who will buy the paper from him for 60.

But for Peru, for the same amount of debt paper, buyers are willing to pay only 20 showing how much more risky it is to hold Peruvian debt paper than Philippine debt paper.

"This shows that our credit-worthiness is better than Peru's and it is a good indication from the international business community," a securities broker told BUSINESS DAY.

Monsod, moreover, pointed out that the secondary market for Philippine debt paper is "very thin" because essentially the Philippines has been a very good payor.

This market thinness shows that very few lenders, those who have lent to the Philippines and thus hold Philippine debt paper, are willing to let go of the paper at a loss of 27 percent-40 percent--the rate at which it is discounted when sold--perhaps believing that the country can in due time settle its indebtedness in full, the broker pointed out.

"Possibly those who are selling are those banks which really need the money or who need to balance their portfolios, aside from other reasons internal to the bank. That there are sellers of Philippine debt paper, after all, does not necessarily mean solely lack of confidence in the country's ability to pay back its debts," the broker said.

Foreign bankers, however cautioned that the Philippines and Peru should not be compared in terms of the rates at which their debt papers are discounted, as Monsod had done.

They said that Peruvian debt paper is now selling for only 20 percent of its value is "understandable" considering that Peru has in effect defaulted on its foreign debts by arbitrarily drawing up a formula for its own interest payments. The formula is not in accordance with the terms of the country's contractual obligations to its creditors.

"This is why there is no interest at all in the international community in buying Peruvian paper," one foreign banker said. He pointed out that a more valid comparison would be Philippine-Argentine or Philippine-Mexican debt papers. Argentina and Mexico, like the Philippines, have gone through the debt rescheduling process and have not defaulted on their obligations like Peru has, he said.

The banker interpreted the "thinness" of the secondary market for Philippine debt paper in a different light from the securities broker: There is never an abundance of such a market anyway, he said.

"In the Philippine case, unfortunately we're into a transition phase where there are questions on when we will have economic recovery, on when we'll have political stability," he explained.

A banker said there were definite indications that Philippine debt paper was selling at 60 percent of its value last January but although conditions are now slightly better with the perceived selling value at 70 percent-73 percent, he said he "still has to see transactions" go through at that rate.

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CSO: 4200/1241

PHILIPPINES

CORPORATE INVESTMENTS REPORTED DOWN 6.1 PERCENT

HK210647 Manila: THE NEW PHILIPPINES DAILY EXPRESS in English 19 Jul 86 p 9

[Article by Ma. Cecilia Dy]

[Text] New companies--corporation and partnerships--organized last June pumped in a total of P128.5 million in fresh capital into the economic mainstream, the Securities and Exchange Commission (SEC) reported yesterday.

The amount registered a 6.1-percent decline from the May investments of P136.8 million, but posted an 84.4 percent increase over the P69.7-million initial investments made by enterprises organized in June 1985.

In terms of units set up, last June's figures of 672 were 1.7-percent lower than last May's level but 38.8-percent of 145 firms higher than the June 1984 figures.

According to the SEC, of the total firms registered last June, 429 were domestic stock corporations, 90 were partnerships, 150 were domestic non-stock corporations and one was a regional headquarters of a multinational company.

The June's tally of new enterprises brought to 178,927 the total number of enterprises registered by the SEC. Of the total, 137,259 were corporations and 41,668 were partnerships.

Last month, 51 corporations and partnerships raised their capitalizations that aggregated P350.5 million or twice the additional investments registered last May.

Compared with last year's June level of P612 million, this year's additional investments suffered a 42.8 percent decline.

A total of 17 units consisting of 11 corporations and six partnerships was dissolved last June. This meant a withdrawal of some P6.7 million (the firm's combined capitalization) from the system. Last month, 11 corporate deaths took out of the system some P7.1 million in capital.

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CSO: 4200/1241

PHILIPPINES

REPORTAGE ON NPA MILITARY, RECRUITMENT ACTIVITIES

Mindanao Offensive Escalated

HK160343 Quezon City ANG PAHAYAGANG MALAYA in English 9 Jul 86 p 3

[Article by Vittorio Vitug]

[Text] From the hinterlands of Kalinga-Apayao in Northern Luzon to the remote barrios of South Cotabato in Mindanao, the communist-led New People's Army since Monday last week has figured in ambushes and raids against government troopers. Ironically, the escalating armed offensive of the NPA, totalling 8 reported incidents in a span of five days, came at a time when ceasefire talks pushed off to a start.

The upsurge of communist attacks, according to military authorities in Camp Aguinaldo, has two probable motives: The NPA, wanting to regain its losses brought by the February military rebellion, is waging a campaign to increase its strength during the talks; and the rebels are trying to drive a wedge between the military and the civilian government.

Casualties on the government side are 33 officers and enlisted men and 11 civilians. The rebels' side has no reported casualties.

By projecting itself as a superior military force, the NPA is using a double-bladed approach in view of the government initiatives for ceasefire, Camp Aguinaldo sources believe.

First, by staging more ambushes, the revolutionary forces may be able to regain ground lost as an offshoot of the rebellion led by Defense Minister Juan Ponce Enrile and AFP [Army Forces of the Philippines] chief Gen. Fidel Ramos last February which toppled Marcos and swept President Aquino into power.

The rebels are at a most advantageous position at this point, Aguinaldo officials said, since AFP troops are supposed to have maintained an "active defense stance" in counter-insurgency efforts. This means the AFP has "desisted from conducting massive military operations, including raids and other forms of surprise attacks."

The rebels are also apparently trying to create or widen the rift between the Defense Ministry and civilian officials in Malacanang, senior officers said.

According to senior military officials interviewed by MALAY, the NPA holds the firm belief that Enrile and certain Malacanang officials who have alleged communist leanings are at loggerheads over the manner in which the ceasefire talks should be carried out.

In other words, the officials said, they are placing Enrile and President Aquino on a collision course.

Reacting to the ambushes, Enrile said he will not order the pullback of troops deployed in communist-occupied areas of the countryside. He also said the AFP will get even in the next days.

"There is no ceasefire," he declared during an open forum with women's groups in a Makati hotel, adding, "we are free to hit them, they are free to hit us."

Enrile said he has "reservations" on the talks, saying ideologically-inclined rebels are unlikely to agree to a truce, and that the government can only win lesser committed rebels from the other side.

Explaining the rebels' new strategy, he said the communist guerrillas are merely "flexing their muscles" to obtain more concessions in the talks.

AFP chief Gen. Fidel Ramos, on the other hand, had a stronger reaction.

Even as ceasefire talks are ongoing, Ramos told newsmen that "we should be wary of their (the communists') moves because we know their track record in Southeast Asia where their move is characterized by deceit and treachery."

To counter the communist upsurge, the military has embarked on a massive propaganda campaign by harnessing local officials to join the war. This was demonstrated during the recent two-day Peace Order Council seminar held at Camp Aguinaldo hosted by Ramos and Enrile.

The seminar focused mainly on the "atrocities" of the guerrillas against soldiers and civilians alike in the countryside. It was revealed during the seminar that the rebels have mounted a fratricidal cleanup within their ranks to get rid of comrades suspected to be government spies, also known as "zombies."

As the ceasefire talks proceed, military officers hinted that a truce is still an elusive goal to end the 17-year insurgency.

An area the government, particularly the military establishment, which the communists are likely to disagree with is the Civilian Home Defense Force (CHDF) issue. [sentence as published]

The CPP [Communist Party of the Philippines]/NPA has sought the CHDF disbandment, but Enrile has ruled out its dismantling. He said the CHDF will not

12 August 1986

be disbanded since the militiamen act as frontline defenders against insurgency and criminality.

With these developments, one thing is certain: The ceasefire talks face a long-torturous climb, both for the government and the rebels.

Open Recruiting in Danao City

HK150615 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 14 Jul 86 p 2

[Article by Leo Enriquez]

[Text] Cebu City--A 50-man NPA band is openly recruiting and conducting teach-ins in at least 4 hinterland barangays in Danao City and have won over some 70 percent of their residents, intelligence sources said Sunday.

The same sources said the insurgents have already gained headway in the mountain barangays of Danasan, Tili, Magtagubto, and Cambubho.

According to the intelligence report, these barangays share a common border with the towns of Balambang, Asturias and Inburan where communists are reportedly building up their forces.

Targets of recruitment by the NPA are the coal miners, their dependents, and the dislocated gunmakers of Danao City.

The military has warned of the danger posed to national security if the gunmakers, who want to legalize their craft, are won over by the communists.

Constabulary Patrol in Bataan Ambushed

HK180157 Manila the NEWS HERALD in English 17 Jul 86 p 1

[Article by Raffy Viray]

[Text] Samal, Bataan--A bataan constabulary highway patrol group jeep was waylaid by at least 12 suspect New People's Army rebels in barangay Sta. Lucia, here, killing two enlisted men and a Civilian Home Defense Force [CHDF] member yesterday afternoon.

Col. Cecilio R. Penilla, Bataan PC [Philippine Constabulary] commander and deputy Task Force Samat commander, identified the slain soldiers as Tactical Sgt. Juanito Fajardo, team leader, of barangay Dau, Mahalacat, Pampanga; Staff Sgt. Renato Pastor, of Camiling, Tarlac, and Lamberto Taban, CHDF member, of En's Village, barangay Tenejero, Balanga town.

Penilla said the broad daylight ambush on the constabulary soldiers was believed to be in retaliation for the capture of the suspected top-ranking NPA commander Alexander Glemao, alias Ka Jess and Ka Juliet, last Saturday in barangay Mulawin, Orani, Bataan.

The ambushers, reportedly riding a white Ford Fiera and Sarao passenger jeepney took with them the victim's two .45 cal. pistols, a rifle, a bandolier of bullets and personal belongings of the victims.

PC reports said the NPAs followed the slow-moving CHPG patrol jeep from Orani town until it reached a less populated area, in front of the municipal cemetery in this town.

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CSO: 4200/1241

PHILIPPINES

PC OPERATIVES SEIZE AMMUNITION CACHE AT COJUANGCO COMPANY

HK151501 Quezon City BUSINESS DAY in English 15 Jul 86 p 24

[Article by reporter Joel D. Lacsamana]

[Text] A huge firearms and ammunition cache was seized over the weekend by PC [Philippine Constabulary] intelligence operatives during a raid at the compound of Northern Cement Corp [NCC], a company owned by former ambassador Eduardo Cojuangco, in barangay Labayog, Sison, Pangasinan.

A total of 21 high powered firearms, 50,000 rounds of ammunition for M-16 rifles, 1,000 rounds of ammunition for M-60 machine guns, 200 pieces of smoke grenades, 200 pieces of flare cartridges and 500 pieces of blasting caps and detonating devices were seized during the raid, according to a report submitted to Major Gen. Renato S. de Villa, acting PC-INP [Integrated National Police] chief, by Col. Pedro Siztosa, PC intelligence chief and group commander of the constabulary security group.

Siztosa informed De Villa that the firearms, ammunition and explosive devices were recovered from different places inside the NCC compound.

Led by Lt. Col Robert Delfin of the National capital region security unit, the operatives conducted the raid armed with a search warrant issued by Judge Narciso A. Ramos of the 6th municipal circuit trial court of Posorubio, Pangasinan.

Delfin invited to Camp Crame a certain Robert Yahut, administrative officer of the NCC and caretaker of ex-ambassador Cojuangco to shed light on the seized guns and ammunition and explosive devices.

The seized guns consisted of two Thompson submachine guns, calibre .45, two AK-47 rifles, one calibre .20 machine gun, one Chinese submachine gun, two caliber .45 pistols, one M-16 rifle, one M-7 Ruger rifle, one Mark IV calibre .30 rifle, one calibre .44 Magnum, Smith and Wesson revolver, one pistolized carbine with gold-plated magazine, one calibre .45 Colt commander pistol, one double barrel rifle, one calibre .22 survival rifle, one calibre .22 Winchester rifle, one rifle of unknown calibre, 1 Water PPK calibre .22 pistol, one Browning calibre .22 target pistol, and one flare gun.

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CSO: 4200/1241

PHILIPPINES

SULU OIC CLAIMS 150,000 REBELS WILLING TO SURRENDER

HK180207 Manila MANILA BULLETIN in English 17 Jul 86 pp 1, 11

[Text] Sulu Office-in-Charge (OIC) Indanan Anni reported yesterday that over 150,000 Filipino Muslim rebels in Sabah have expressed their desire to return to the country because of President Aquino's policy of reconciliation.

This message was relayed through emissaries and letters to him.

Many of the rebels, particularly those belonging to the OCZA (Operations: Commander Zapata), and the civilian refugees are now in Janpiras Islands, a mile off eastern Sabah, Anni said.

The rebels are allowed to keep their arms in their island sanctuary but they have to learn them behind when they cross over to the mainland.

The civilian refugees joined them after the fire that gutted Jolo town in 1974. A few years ago, the Malaysian Government decided to round them up and resettle them in Janpiras. The resettlement program was subsidized by United Nations and Arab countries.

Lately, they were blamed for the election trouble in Kota Kinabalu and other urban centers although they claimed that they were used as scapegoats, Anni also said.

The recent discussions in the Constitutional Commission on the Sabah claim issue unnerved Kuala Lumpur and the presence of the Philippine Muslims in Sabah have put the Malaysians on edge, the Sulu OIC noted.

In Sulu, Anni has been touring the rural areas in his peace efforts. He said the progress of his campaign is very encouraging.

In his trip to Langpas, 14 kilometers away from the town, for example, the security men who lined the stretch from 6 km to Langpas, were rebels under the command of Commander Usop Jikiri.

While in Langpas, Anni met with "Commander Muksan Damang," the No 2 man in Usop's group, which kidnaped a German journalist last year, and OCZA chieftain "Commander Kalil Joel." No details of their talks were given.

Anni said that his greatest worry is how to provide a decent means of livelihood to the rebels and refugees should they finally come back. He was optimistic that in time, when peace reigns once again, job opportunities would be made available.

He is asking President Aquino to clothe him with the authority to negotiate with the rebels, and assure them of their safety and economic wellbeing upon their return.

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PHILIPPINES

BRIEFS

ENRILE: SOLUTION TO INSURGENCY--Defense Minister Juan Ponce Enrile says he favors a moderate, not military solution to the 17-year-old guerrilla war in the country. But he said if it is the wish of the national leadership to use a military solution to the problem, he thinks they can handle it. However, a pure military solution is not practical to resolve the insurgency problem. [Text] [Manila Far East Broadcasting Company in English 2300 GMT 17 Jul 86 HK] /6662

CSO: 4200/1241

THAILAND

PAPER REPORTS ON PROBLEMS IN FINANCE SECTOR

Finance Firms Resist Government

Bangkok THE NATION in English 23 Jun 86 p 17

[Text]

SOME of 25 ailing finance companies awaiting government rescue are resisting the efforts to improve their operations by executives assigned by monetary authorities. They have asked a well-known law office to take actions against the government for damage caused by their interference.

The 25 firms are under a rescue package worked out on April 4, 1985. Their negative reaction towards the government rescue attempts became clearer recently when they approached Dharmniti Law Office to gather evidence so that they can take actions against the authorities.

Their claim is that the interference in management, through possession of stocks and voting rights, would only damage their companies.

Before the shareholders of these firms transferred their stocks and voting rights to the authorities under the rescue package, they had hoped that there would be effective measures to promptly improve their position and minimize the potential damage.

The shareholders and management, who remain with the executives assigned by the Finance Ministry and Bank of Thailand, have instead asserted that their companies were

facing bigger losses, particularly during the past two years.

Moreover, their financial stability could not be restored as planned in the rescue package. The issue snowballed when the authorities decided to take legal actions against former members of management.

Those facing litigation included Ophas Arunsang of Thai Saving Trust Co Ltd and executives of Bangkok Finance Co Ltd. The assets of some debtors who were unable to make repayment in time, were seized under the tough measures adopted by the authorities.

Finance Ministry sources told *The Nation* that the dissenting finance firms have stepped up their activities while more firms are joining their ranks.

The law firm is expected to file a petition to the authorities soon. The main issue of contention is the appraisal and assessment in the value of assets and debts. The authorities have concluded that the assets of the troubled 25 firms amount to 12,000 million baht, up from the period before capital increase which at that time was worth 9,000 million baht.

The authorities consider that about 70 per cent were unearning assets such as properties awaiting sales, interest receivable exceeding one year and other doubtful debts. They believe that bad debts would account for up to 50 per cent of the total assets.

The authorities have also established that lending by most of the 25 firms had been made to subsidiaries or affiliated businesses. There were also false documents and fraudulent practice. One source said that the names of companies' drivers also appeared on the borrowers' list.

The Coordinating and Supervision Committee headed by Nibhat Bhukkanasut, who is the deputy director of the Finance Ministry's Fiscal Policy Office, has worked out policy measures to solve the problems of financial institutions during the past three weeks. They were confined mainly to those firms under rescue of the authorities.

The committee has set more major guidelines. The first is to combine the unearning assets of the 25 ailing firms for subsequent claims through legal actions. This will enable the authorities to write off the

lead debts.

The second is to inject 10,000 million baht into the rescue attempt, compared to 13,000 million baht earlier projected for this purpose. The amount had been tapped under the rescue including 6,400 million baht of soft loans of which 79 per cent had been used while there was 2,400 million baht for capital increase and this amount has been fixed.

Furthermore, a fund was formed by commercial banks to increase liquidity and this amounts to 5,000 million baht, of which 4,500 million baht has been tapped. The authorities want to inject more fund to restore the stability of the ailing firms rather than to offset their losses.

The third one is to divide the companies into three major groups. The first, numbering 5-7 are working out plans for joint venture partners from abroad and new investors with sound financial standing. Some of the shares held by the authorities would be sold back to former shareholders with good record. The second is to merge nine firms into two major ones. The third is to give more time to nine firms to improve

their position within three years from now. If they fail, their licences would be revoked.

The fourth guideline calls for the authorities to step up legal actions against the executives of the ailing firms found to be responsible for mismanagement and abuse of public trust.

The charges would include forgery of documents. While litigation is in progress the authorities would confiscate and foreclose on the mortgage of debtors who have failed to fulfill repayment.

The confiscated assets would be sold through auction to raise funds. Sources said that the four guidelines would be submitted to Finance Minister Sommai Hoontrakool within this month.

Last week, the authorities revoked the licence of Nateethong Finance and Securities Co Ltd. The company belonged to the former major shareholders of the Asia Trust Bank whose name has been changed to Sayam Bank after the government takeover in late 1984.

Nateethong had long been under control of the authorities due to severe liquidity and mismanagement problems.

Tougher Central Bank Controls Seen

Bangkok THE NATION in English 30 Jun 86 p 17

[Text]

THE Bank of Thailand intends to impose stricter control on foreign operations of local commercial banks. Deposits mobilized by their foreign branches and extended as loans would be categorized as risk assets if they were not guaranteed by the headquarters, well-informed sources told *The Nation* at the weekend.

This is a new policy to be adopted by the central bank following two years of study on the impact on local commercial

banks when their foreign branches were affected by sour loans.

At present, five local commercial banks have foreign branches and representative offices. Bangkok Bank has 11 branches excluding five small branches in Hong Kong and one in Jakarta. Thai Farmers Bank has three branches while Siam Commercial Bank has the same number.

Krung Thai Bank and Bangkok Metropolitan Bank have one branch in New York each.

The sources said that the central bank has reviewed the situation involving foreign

operations of local commercial banks for two years. But nothing has been implemented due to inappropriate timing. At that time, banks had the need to expand their lending capability while they were unable to increase their registered capital.

But the expansion of foreign operations of local banks is gaining a faster speed while their lending also increase at a quick rate. Total assets of foreign branches now amount to 110,000 million baht but the amount of risk assets is also rising.

According to the announcement dated January 7, 1980 of the central bank, commercial banks have to maintain the capital fund to risk asset ratio at 8.5 per cent. However, the requirement does not include 20 types of assets which are not counted as risk assets. Among the 20 items include deposits raised abroad and extended as loans without guarantee by the headquarters.

If the foreign branches extend loans provided by funds of the headquarters, they would be accounted as risk assets. This means that if a foreign branch of any Thai bank mobilizes deposits from clients and lends out, the loans would not be accounted as risk assets.

With the loopholes, some branches of certain Thai commercial banks have suffered heavy losses in operations. At the same time, the central bank does not want to see those branches go bankrupt due to business failure. It had to permit the headquarters to remit funds to bail out the branches from crisis.

The latest case involved the operations of the New York branch of the state-owned Krung Thai Bank. Following thorough examinations, the branch was found to have provided loans and credit facility to certain groups of Thai businessmen to the extent that the debts have become more risky.

The sources said that branches of some local banks have borrowed from the Euromoney market and extended loans, some of which to Thai business groups.

The world economic uncertain-

ty has not affected only Thai commercial banks. Major US banks were also under heavy pressure due to operating losses caused by non-performing or bad loans. The debacle of the Continental Illinois Bank is a classic example.

The central bank's Bank Supervision and Examination Department has been reviewing this issue with concern. It has recommended that lending by foreign branches of local banks should be accounted as risk assets to prevent recurrence of such problems.

The sources said that the preventive measures have been adopted by US and European monetary authorities. The control also covers subsidiaries. But this may not be necessary for further control on local commercial banks because they do not have many subsidiaries abroad.

The new move by the central bank is aimed at consolidating the position of local commercial banks in foreign operations. This is because the authorities want the foreign branches to have

sufficient reserve in line with the scope of their activities.

The sources said the commercial banks may argue that the central bank should look at the quality of each bank in foreign operations instead of imposing a sweeping control. The measures are still under the study of central bank Governor Kamchorn Sathirakul who is expected to give approval soon.

In another move to ease the pressure on commercial banks as far as the position of the capital fund to risk assets ratio is concerned, the central bank will provide more exemption in the classification of risk assets.

They will exclude interest receivables from government bonds, interest receivables from monetary instruments, state enterprise bonds and debentures of Industrial Finance Corporation of Thailand.

Others include the rights on the lease of immovable properties following depreciation. Commercial banks which provide lending to the priority

economic sectors would also enjoy more exemption.

It is expected that the relaxation will enable banks to provide an additional lending up to 9,000 million baht in the overall system. By this local banks can extend loans up to 29,000 million baht in the second half of this year and the amount is sufficient in view of the current loan demand.

Though the authorities were to set the capital fund to risk asset ratio at eight per cent, the actual ratio would be only 5-6 per cent when those items under exemption were taken into account.

The 16 local commercial banks have between 40,000-50,000 million baht of capital fund with risk assets at 400,000-500,000 million baht.

The Bank of Thailand has also agreed to raise the ceiling of the foreign currency holdings by banks. At present, the limits are per cent of each bank's capital fund or US\$5 million, or whichever is higher. This will enable banks to increase their earning from foreign operations.

The restrictions were imposed when the government devalued the baht in late 1984 to prevent speculation on foreign exchange by commercial banks.

More Foreign Currency Holdings Allowed

Bangkok THE NATION in English 2 Jul 86 p 25

[Text]

THE Bank of Thailand is expected to permit commercial banks to hold more foreign currency than the present level, fixed since it devalued the baht in November 1984.

At present, banks can maintain their net foreign position — the level of foreign currency holding — up to 20 per cent of their capital fund or US\$5 million, or whichever is higher.

Well-informed sources told *The Nation* that the level will be raised to 30 per cent of the capital fund and this will cover a period from July until December this year.

Banks normally invest in foreign exchange trading and in international financial institutions such as ASEAN Finance Corp. The central bank views that the investments in international financial institutions are long-term commitments with minimal risks and the chance for speculation.

The sources said the net position would be raised and this would be able to convert up to 4,000-5,000 million baht into foreign currency as investments.

Local banks have between 40,000-50,000 million baht, the net position in the whole system is US\$346 million when calculated at 20 per cent of net foreign position.

The sources said that by absorbing the excess liquidity, which includes the increase in the net foreign position, the government can issue bonds, treasury bills up to 11,000 million baht as additional borrowing approved recently by the Cabinet.

This will reduce the excess liquidity which stands at about 20,000 million baht at present.

This forms part of the package being worked out by the Bank of Thailand. The increase in foreign currency holding can be permitted by the central bank but changes in the classification of the risk assets would have to be approved by Finance Minister Sommai Hoontra-koon.

There are several items such as interest receivables from government bonds, monetary instruments such as state enterprise bonds, debenture of Industrial Finance Corporation of Thailand, the right to lease immovable property after deduction of depreciation and statutory reserve for bad debt.

The central bank wants to impose stricter control on local commercial banks which have foreign branches which mobilize deposits for lending but without guarantee by headquarters. At present, the lending is not considered as risk assets. But it will be included under the package due to be introduced soon.

Central bank sources believe that the risk assets of the foreign branches of Thai banks amount to 97,000-100,000 million baht. The new requirement will not include interbank lending. Once the branches extend loans to ordinary business or individual then the fund would be considered as risk assets.

The central bank's move followed a revelation that the New York branch of the state-owned Krung

Thai Bank had extended bit loans to Thai business groups and the bank has launched investigations for the proceedings of criminal and civil cases.

A commercial banker commented that if the central bank wants to include every investment by banks as risk assets there would not be anything else for them to conduct normal business.

The central bank has two options to relieve the pressure faced by commercial banks. The first is for gradual change by drawing in 10 per cent of the risk assets annually until they reach 100 per cent of the particular risk assets.

This will apply to only new lending. The second option is for the central bank to sweep everything into risk asset classification excluding only interbank lending.

If the central bank picked the second option, there would be some impact on foreign business activities of banks particularly in expanding operations. The central bank had to review the overall situation.

"If the central bank picked the second one, the question is whether it would reduce the capital fund to risk asset ratio currently standing at eight per cent to only 7.5 per cent," said the sources, adding that at least one week was needed to reach a conclusion on this point. Minister Sommai will have to give approval as well.

Officials in charge of bank supervision have proposed gradual implementation and disagreed with the reduction of the capital fund to risk asset ratio, said the sources.

The central bank also wants to increase the rediscount facility to commercial banks. The outstanding is 21,000 million baht while the ceiling is 31,000 million baht. This much has been tapped because it is

already out of the export season.

The rediscount facility will increase by 5-10 per cent or 1,500-3,000 million baht for additional incentives for commercial banks and it will include home loans extended by banks.

Home loans will be included in the lending to the priority economic sectors, said the sources.

This rediscount facility will be announced early next week. At the same time, the central bank will also cut down the discount rate by one per cent for the first and second tiers.

The first tier is 10 per cent while the second tier rate is 11 per cent at present. The new rates will be nine and 10 per cent respectively.

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CSO: 400/1255

THAILAND

BANK SCANDAL WIDENS, ECONOMIC IMPACT VIEWED

Perpetrators Seek Refuge Abroad

Bangkok THE NATION in English 9 Jul 86 p 17

[Text]

THE Bank of Thailand yesterday filed charges against former President of First Bangkok City Bank Ltd, Kamron "Coro" Tejapaibul for violating the Commercial Banking Act and abuse of public trust resulting in severe damage to the bank.

Meanwhile, FBCB President Pakorn Malakul told a press conference yesterday that legal actions would be taken against the former management team led by Kamron, who is believed to have taken refuge in Taiwan which has no extradition treaty with Thailand.

Taiwan is also a hideaway for the former chairman of Asia Trust Bank, Wallop Tarnvanichkul, known as "Johnny Ma" after the bank was in severely jolted prompting the government to take over the operations in late 1984.

In addition the legal actions taken by the Bank of Thailand, FBCB will also take a similar course to recover loans extended when Kamron ran the bank.

Pakorn also assured the public that their deposits would be secure under assistance from the monetary authorities. The impact on deposits during the past few days was small as withdrawal was mainly due to

the financial requirement in normal business transactions.

The deposit outstanding as of July 7 was 15,290 million baht, compared to 15,361 million baht as of June 30, a drop of only 71 million baht. Pakorn said that branches nationwide were instructed to explain depositors and clients the real situation. The branches were told to maintain sufficient cash reserve. The headquarters has sought a standby credit from the central bank and other commercial banks.

"I want to reaffirm that the deposits would not be affected and the depositors should have confidence in the bank which has received support from the central bank in a systematic manner," he said.

The rescue measures provided by the central bank, which call for a capital reduction which results in a share price at five baht each, will benefit the bank which can write off part of the bad debts and worthless assets by 1,296.75 million baht. The share price was formerly 100 baht at par.

The bank can wipe out the worthless assets by 1,500 million baht within three years after a soft loan of 3,300 million baht from the central bank and a capital increase by 2,000 million baht.

The bank can expect an additional earning of 500 million baht a year later, he said.

For the capital increase, Pakorn said, new investors have shown keen interest in equity participation. He said 4-5 groups of the investors are holding negotiations with FBCB. "This shows that the investors have an opportune time to come in as they will have support from the monetary authorities," he said.

The bank has 52 branches with 2,300 employees. The customer base is strong as it involves export and import business. It has long-standing relationships with many foreign banks, said Pakorn.

On July 11, the existing creditors will have until noon to subscribe to the new shares to be issued by the capital increase of 500 million baht. They can buy 21 new shares for every one share they hold. Whether they can subscribe the new shares in full or not the negotiations with prospective investors will continue.

The 500 million baht will be injected by the Fund for Rehabilitation and Development of Financial Institutions. But the central bank wants to offer the new shares to the existing shareholders first. If they fail to subscribe, the authorities will become a majority stockholder.

The intervention followed the failure by a group of investors to boost the capital by 2,000 million baht. The group comprised executives of Surathip Group, a whisky maker.

Though the Fund has 500 million baht in new shares, FBCB can still operate with earnings from interest differentials resulting from the soft loan. The bank can expect an annual income of 300 million baht.

For two subsidiary deposit-taking companies in Hong Kong which are facing liquidation, the bank will not be affected by the legal proceeding because it holds only 20 per cent of shares equivalent to only seven million baht in First Bangkok City Finance Ltd. Lending by FBCB was according to the law and it does not exceed 25 per cent of the bank's capital fund.

Hong Kong authorities have asked the bank to send executives to take charge of the two affiliates as their managers

were not there. The request was rejected because the bank, Pakorn said, has no firm connection.

The damage suffered by the bank was due to the worthless assets of 2,790.8 million baht. The expectation that the bad debts could be up to 5,000 million baht, was not quite accurate because they were mainly problem loans, Pakorn said.

The management is taking steps to recover the loans and part of which have been secured.

The criminal charges were filed with the Crime Suppression Division yesterday by officials and lawyers assigned by the central bank. The bank will bring in evidence to substantiate the charges today.

The charges mention that the damage caused by Kamron to the bank amounted to 2,700 million baht.

Central Bank Exposes Wrongdoing

Bangkok THE NATION in English 10 Jul 86 p 21

[Text] **MONETARY** authorities yesterday said they will spend a week to wrap up a case for criminal actions against executives of the financially-ailing First Bangkok City Bank. They also listed a series of charges against former bank's President Kamron "Coro" Tejapaibul, ranging from mismanagement and abuse of public trust.

Bank of Thailand's Assistant Governor Paisarl Koomalayavisai and two lawyers told a press conference that the former management of FBCB had violated the Commercial Banking Act B.E. 2522. The criminal charges were filed with the Crime Suppression Division on Tuesday.

Paisarl said he would need just one week to investigate the affairs of the bank and inform the public.

The charges against the FBCB executives include the failure to maintain the capital fund up to the level specified by the central bank. There were loans extended to business

activities operated by the former bank executives including Kamron.

Paisarl said FBCB was found to have extended credit to five subsidiary companies abroad exceeding 25 per cent of the capital fund without prior permission from authorities.

The bank was also found to have charged interest rates higher than the ceiling fixed by the central bank. There were a number of what is called "creative accounting" or "Chinese accounting."

There were cases when funds were listed as deposits while actually they were loans, falsifying reports on foreign exchange transactions showing profits. The bank was found to have overstated the deposits at other financial institutions.

Moreover, FBCB showed assets in foreign currencies by overstating the exchange rates when they were converted into

the baht currency, Paisari said. The accounting was "created" to show profitable results.

FBCB also showed deposits at foreign financial institutions while actually having none. The last two cases have caused damage up to 2,700 million baht. Minimal damage was seen in other malpractices.

Paisari also showed that the former management in 1983 and 1984 paid dividends to shareholders while the bank suffered losses. It was against an instruction of the central bank for it to withhold dividend payments.

Paisari, who is in charge of the legal affairs of the central bank, said that the malpractices committed before 1985 could be dealt with by the Commercial Banking Act B.E. 2522. The wrongdoing was not accountable to a special decree, with increased penalty, promulgated early this year.

He explained that under the banking law, before the special decree came into being, the monetary authorities did not have the powers to ask police to apprehend the former bank executives. They could not be prevented from leaving the country.

The authorities just uncovered the malpractices early this year. Paisari said the penalty includes a maximum fine of 300,000 baht and a maximum one-year jail term

under the banking law, but this is for each wrongdoing.

He said that there were nearly 100 cases of malpractices such as repeated failures to maintain the capital fund and reserves, overcharging of interest rates.

The penalty under criminal charges would not be more than 10-year imprisonment.

The central bank has also advised FBCB to take criminal actions or file civil suits against the former executives based on available evidence. Paisari said it remains doubtful whether legal actions could be taken against the bank's auditors.

The central bank assigned executives to oversee FBCB operations since early this year. When malpractices were uncovered, legal actions could not be taken immediately as more evidence was needed to substantiate charges.

At the same time, according to Paisari, the authorities had to take into account the rights of the shareholders who commanded the majority stocks

and one was also the bank president.

The presence of central bank's men later enabled the bank to recover some of the loans through the control of assets of the former executives.

The bank, on July 11, will cut its capital to write off accumulated losses and worthless assets. The intervention followed the failure of a group of investors to increase the capital and choose to bow out. Kamron is believed to have taken refuge in Taiwan, which has no extradition treaty and diplomatic relations with Thailand. Taiwan also serves as the haven for the former chairman of Asia Trust Bank, Wallop Tarnvanichkul. His bank was taken over by the government in late 1984 and its name was changed to Sayam Bank, which continues to face financial problems. It is receiving additional financial assistance from the central bank. Criminal charges await Wallop who is unlikely to return to defend himself.

Injection of Funds May Cause Problems

Bangkok THE NATION in English 9 Jul 86 p 17

[Article by Vajara C. Santikul]

[Text] **T**HE Bank of Thailand is wary about possible impact on the financial system after it introduced measures to rescue two ailing commercial banks by providing funds for capital increase and soft loans to partly write off their bad debts. The move has inevitably increased money supply in the market which is already experiencing excess liquidity problems.

The measures were also inevitable for the monetary authorities to shore up the position of Sayam Bank Ltd and First Bangkok City Bank Ltd. A huge sum would be needed for rescuing 24 ailing finance and credit financier companies. The rescue involves billions of baht.

The money market is facing excess liquidity after a brief tight situation early this month when there was a higher demand for funds. But the excess liquidity has returned with a surplus of 3,000-3,600 million baht in the repurchase market.

Director of the central bank's Banking Department Vjitt Supant admitted that the liquidity is very high in the market but the Bank of Thailand is still capable of absorbing the excess liquidity during the next two months up to 13-14 billion baht.

He pointed out that despite the excess liquidity, the country's financial and monetary system remains stable.

The central bank has undertaken a series of measures to rescue Siam Bank Ltd once privately owned and called Asia Trust Bank. The measures included an injection of 500 million baht for capital increase, a soft loan of 1,900 million baht and the latest action was an absorption of 1,500 million baht of bad debts through supply of fresh funds.

The crisis engulfing the First Bangkok City Bank Ltd led to a capital reduction from 1,365 million baht to only 68.25 million baht to partly wipe out bad debts which amounted to 2,790.8 million baht as uncovered so far.

The bank needs to boost its capital by 2,000 million baht with 500 million baht from the Fund for Rehabilitation and Development of Financial Institutions. It has earmarked a soft loan of between 3,300-3,800 million baht.

Central bank officials feel the need to review the measures as they are cautious about further increase in money supply and excess liquidity.

Well-informed sources said that the injection of funds for capital increase will have immediate impact but adverse effects from the provision of soft loans would be late. Another point feared by the banking and financial community is that the magnitude of this problem might lead to further reduction of interest rates when the excess liquidity becomes more formidable.

"The central bank will closely monitor the situation to prevent a possible chain impact on other commercial banks," said the sources.

Vjitt, however, explained that the current money supply situation is not worrisome though with the injection of funds from the Bank of Thailand

into the financial system. This is because lending by commercial banks is lower than deposits they have mobilized by half.

Commercial banks have not been able to achieve a high growth in lending due to the slow recovery in domestic investment and public consumption. Another reason is that commercial banks are waiting for the formation of a new government after the general election scheduled July 27.

Sources said the government is likely to set a clear policy to stimulate the economy. Despite the lower interest rates and oil prices, they were not sufficient as economic recovery also depends on external factors such as export earnings.

The country's export performance in the first half of this year showed a growth of 14-15 per cent in baht terms but in dollar terms, the growth marked a hefty 17 per cent rise. Other factors include the ability of the country to spend less on oil imports. The overall trade situation has improved much while it is believed that the country's current account deficit would be less than 20,000 million baht this year.

"We cannot expect any more windfall benefits from lower oil prices which have somewhat stabilized. What we can hope for is the contribution from exports," said Vjitt.

He also agreed that the monetary authorities have to adopt a cautious approach in enforcing measures to rescue ailing banking and financial institutions. The expected relaxation for foreign currency holding of commercial banks would have to be delayed as the international exchange rates still remain unstable.

Commenting on the means by the central bank to help absorb the excess liquidity, Vjitt said the authorities still hold treasury bills in its portfolio which could be distributed to alleviate the situation. This could be as high as 4,500 million baht in the repurchase market.

The government has yet to borrow more from the domestic money market after the Cabinet recently approved a proposal of the Finance Ministry to raise the ceiling at 33 billion baht for local

borrowing by 11,000 million baht. So far, it has issued bonds worth 2,000 million baht. Vjitt described the move as another means to absorb the excess liquidity.

Commercial banks have subscribed all the issued bonds. There remain 9,000 million baht more and it is expected that another batch worth 3,000 million baht will be issued this week, of which 2,000 million baht will be for commercial banks and 1,000 million baht for the public.

The remaining 6,000 million baht will be issued next month. The Government Savings Bank also has enough liquidity to absorb up to 2,000 million baht.

The additional borrowing is necessary as the Finance Ministry expects that the revenue shortfall would be larger than expected.

"We can still absorb between 13-14 billion baht of liquidity from the market. The excess liquidity is not beyond control. We believe that commercial banks will increase lending after the general election and when the political scene becomes clearer. If they refrain from doing so, it would appear that they are over-cautious," said Vjitt.

Commercial banks can adjust themselves well to the changing situation without intervention by the authorities, Vjitt said. Though there are signs for further interest rate decline, the existing ability to absorb the excess liquidity will help maintain the interest rates at this level which is quite reasonable. Further decline would not be good for the commercial banks," he added.

INTERNATIONAL RELATIONS, TRADE, AND AID

VIETNAM

POLISH ENVOY TALKS ABOUT COUNTRY'S NATIONAL DAY

OW251357 Hanoi Domestic Service in Vietnamese 1100 GMT 22 Jul 86

[Speech by Marian Ejma Multanski, Polish ambassador extraordinary and plenipotentiary to Vietnam on 42d Polish National Day--date, place not given; portions recorded in Polish fading into Vietnamese translation]

[Excerpts] Dear Comrades and friends: First of all, I would like to sincerely thank the SRV Radio Station for giving me the opportunity to talk on the radio on the National Day of the Polish People's Republic.

The date 22 July symbolizes an historic choice the Polish people made 42 years ago, when they took the path of revolutionary change. In close alliance with the people and progressive intellectuals, under the leadership of our Marxist-Leninist party, our working class won back power for itself.

Over the past 42 years of existence of the Polish People's Republic, through the enthusiastic labor of our entire people, and thanks to the great capabilities made available for the country under the new regime, we have scored major achievements in all fields of socioeconomic life.

Dear friends, historic experiences, especially the tragic consequences of World War II and the Hitlerite clique's aggression, prove that, for our people, peace has a special value, that the exigency of preserving and defending peace has taken deep root in the consciousness of our populace.

Since the founding of the Polish People's Republic, our foreign policy's foremost task has been to defend and preserve peace and to prevent conflicts and war. This task is linked to the detente and disarmament objectives, and the development of peaceful cooperation among all countries and peoples.

The Polish People's Republic resolutely and strictly supports all Soviet proposals aimed at ending the arms race, eliminating all conflict and the use of force in international relations, and preserving lasting peace in the world.

Our state and people also support all SRV efforts to ease tension and preserve peace in Southeast Asia. It is our view that the three Indochinese countries' proposals on establishing a zone of peace, stability, and cooperation in this region of the world is a concrete basis for peace in the region and the rest of the world.

Dear comrades and friends, the traditional friendly ties have bound our two countries, Poland and Vietnam, together. Being part of the great socialist community family, our two peoples have always provided mutual assistance and support. In the past, Poland remained constantly alongside you, friends, in your valiant fight for national and social liberation and to smash the colonialist-imperialist shackles. Currently, we still remain at your side in your country's socialist construction and defense.

We are happy with the development of our relationships in all fields. We are of the view that many potential resources are still available in this sphere. This is a guarantee for the continuous strengthening of those relationships, especially in the field of economic and trade cooperation.

We are confident that the Sixth CPV Congress, for which the entire Vietnamese party and people are now preparing, will bring about new encouragement for the continued development of those relationships.

Finally, on behalf of the entire Polish people, I wish to convey to you, comrades and friends, my best wishes for happiness and success.

May Polish-Vietnamese friendship remain steadfast forever. [end recording]

/6662

CSO: 4209/704

INTERNATIONAL RELATIONS, TRADE, AND AID

VIETNAM

BRIEFS

VIENTIANE MAYOR ON BILATERAL COOPERATION--Recently, on the occasion of the 9th anniversary of the Laos-Vietnam Treaty of Friendship and Cooperation, Comrade Khambou Sounisai, member of the LPRP Central Committee and chairman of the Vientiane Municipality Administrative Committee, highlighted the fine results of the mutual cooperation and assistance between the two sister municipalities of Vientiane and Hanoi since the signing of the treaty of friendship and cooperation between the two countries. In the 1986-90 period, according to Comrade Khambou Sounisai, the two municipalities of Vientiane and Hanoi will continue to expand cooperation, focusing on such key areas as increasing the supply of technical materials to industrial enterprises, training technical workers, exchanging delegations for observation, rest and recreation, and medical treatment purposes, and broadening economic cooperation to the benefit of both sides. On this occasion, Comrade Khambou Sounisai expressed his sincere gratitude for the valuable and effective assistance given by the leading authorities, economic and cultural sectors, and people of Hanoi to Vientiane's undertaking of economic and cultural construction. [Text] [Hanoi Domestic Service in Vietnamese 0500 GMT 25 Jul 86 BK] /6662

CSO: 4209/704

PARTY ACTIVITIES AND GOVERNMENT

VIETNAM

CABINET TEMPORARY REGULATIONS ON SUPPLIES

BK240400 Hanoi NHAN DAN in Vietnamese 3 Jul 86 pp 2, 4

["Council of Ministers' Temporary Regulations on Ensuring the Provision of Supplies and Technical Services To Realize Basic Economic Units' Autonomy in Production and Business" promulgated along with 26 June 1986 Council of Ministers Decision No 76-HDBT--passages within slantlines published in bold-face]

[Text] /I. Generalities/

/Article 1./ Supply plans are formulated at the grassroots level and, proceeding from the realistic requirements of production and business, gradually integrated up to the State Planning Commission in two lines--supply consumption and supply business.

Consumption and business establishments shall establish horizontal, equitable, and direct relations of cooperation from the balancing between demands and the sources of supply, the signing of economic contracts, to the final settlement of contracts and final accounting of supplies.

/Article 2./ Based on demand projections, the state shall assign legal norms on material supply to the supply business sector and, at the same time, inform the supply consumption sector of this, including the volume and quantity of supplies to be provided for the production of important products and for key enterprises.

/Article 3./ Supplies shall be provided for production in the form of purchase and sale transactions under economic contracts. For supplies that are available through import and relatively stable domestic production such as electricity, gasoline and oil, coal, cement, rubber, timber, building materials, supplies that are agricultural and forestry products, and so forth, the two parties to the contract should pledge their highest commitments that can be fulfilled in a "five correct" spirit. Supply business establishments must scrupulously honor their commitments as specified in economic contracts. If goods cannot be delivered at the destinations specified in the contracts due to objective difficulties, and if the customers can arrange to pick them up, the selling parties shall have to settle rational transportation expenses as agreed upon in the contracts.

/Article 4./ Contracts for the purchase of supplies shall be signed in accordance with the following conditions:

- a. For state-run enterprises, contracts for the purchase of supplies shall be signed in accordance with production plans and supply consumption norms already approved by the competent authorities.
- b. For collectivized economic units (cooperatives and production teams), family-based economic units, small business owners, private economic units, and so forth having business registration, contracts for the purchase of supplies are closely linked with the contracts for the sale of products to and for processing orders by the state and are based on the supply consumption norms approved by the competent authorities.
- c. For supplies of secondary importance that are needed in small quantities, contracts need not necessarily be concluded, and the consumption units may purchase them at supply stores.

/Article 5./ The exportation, importation, delivery, and reception of supplies must be subjected to accurate measurement. The selling parties are not allowed to deliver goods to the purchasing parties prior to verification. If difficulties concerning measurement arise, the purchasing and selling parties should agree on the methods for measurement to be included in the economic contracts.

/Article 6./ It is necessary to practice thrift thoroughly in the use of supplies. Enterprises shall be given appropriate material rewards for using less supplies than authorized under the approved norms or for using domestic materials as substitutes for imported supplies.

If, due to objective causes, supplies are used in excess of the set norms, the enterprise must notify the plan-assigning organ for investigation and settlement. In case of subjective causes, the enterprise must procure supplies by itself to ensure the fulfillment of tasks as assigned under the legal plan.

/II. Responsibilities and authority of organizations dealing in supplies/

/Article 7. Responsibilities:/

- a. The organizations dealing in supplies are responsible for selling supplies to consumption units when these units have fulfilled all the conditions defined in Article 4.
- b. Contracts for buying or selling supplies must satisfy the requirements of tasks of the state plan and must be signed annually, quarterly, or according to production seasons.

c. Exchanges of supplies among the organizations dealing in supplies must also be done on a wholesale basis and according to economic contracts. All sides must assume material responsibility for the contracts signed.

d. The organizations dealing in supplies must periodically and promptly notify the consumption units of their capability to provide supplies as agreed upon in their contracts so as to give the buyers sufficient time to actively arrange their production plans.

e. The organizations dealing in supplies must bear full responsibility for providing supplies according to their contracts. They must not cite objective factors as an excuse for compelling their customers to contact several different establishments and places. Trading and delivery formalities should be simple, easy, and convenient. Payment methods most convenient for the buyers must be applied. Big buyers with good credit may pay for their goods after delivery as agreed upon in the contracts.

f. Any individual or organizations abusing their authority, acting in complicity, committing bribery, or behaving in authoritarian manner that causes difficulties for customers must be subjected to various forms of disciplinary action or prosecuted before the law and must compensate for any damage caused to their customers.

/Article 8. Authority/

a. Aside from the supply fund allocated by the state, the organizations dealing in supplies are authorized to create additional sources of goods by:

--Joining other enterprises to promote production or to borrow money for importing supplies. The prices applied for the selling or buying of these supplies must be set under the guidance of the state supply organs.

b. The organizations dealing in supplies are authorized to temporarily suspend the selling of supplies to consumption units but they must immediately report such action to the next higher echelons of both sides for settlement if, after repeated warnings, the buyers still continue to commit such wrongdoings as:

--Using supplies not for the purposes stated in the production plans already approved;

--Reselling the supplies allocated according to plan or bought from the state to private merchants or other economic units for profit; and

--Failing, without legitimate reason, to deliver products in the amount and with the quality specified in the consumption contracts already signed.

If there is no legitimate basis for such a temporary suspension, the supply organization concerned must pay damage compensation to the supply buyer.

c. The organizations dealing in supplies are authorized to request that inspection organs at various levels inspect supply consumption units when there are indications that these units have violated the procedures and policies defined by the state concerning the use of supplies.

d. The organizations dealing in supplies are authorized to act as agents for buying and selling supplies not related to the branch of merchandise for which they are responsible.

e. They are authorized to take the initiative in organizing various kinds of supply services as agreed upon in economic contracts such as supplying additional gunny bags, repacking goods into bales, and providing slicing, cutting, and transportation services to customers.

They are entitled to receive an additional service charge for those services in accordance with instructions from authoritative echelon.

f. Based on the division of price management by the state, they are authorized to increase and reduce prices according to the quality of goods on the basis of the verifying report of the authoritative echelon and the directed prices or price frame of the state.

/III. The rights and duties of those units using materials./

/Article 9. Rights:/

a. All basic economic units qualifying for conditions stipulated in Article 4 are entitled to buy supplies from the state.

b. As for vital products, key state-run enterprises have the priority in receiving their supply. They must, however, be dutybound to make effective and economical use of their supplies.

c. They can ask supply business organizations for permission to receive those supplies to be provided to them as planned or under contracts directly from the enterprises producing these supplies (if these supplies are in large quantities and if their request is approved by the selling party).

d. They can select for purchasing supplies those supply organizations which, located most conveniently for transportation--not necessarily within an administrative division--offer good services in order to ensure that production and business produce high economic efficiency.

If they wish to change the place from which they buy supplies, relevant units must:

--Give advance notice to the selling party in accordance with a time limit already agreed upon by both sides.

--Pay compensation for damage to the selling party in case the latter has set aside goods for the buying party (if already agreed upon in the contract).

On arriving to sign a contract with another supply business organization to buy those supplies under state control, they must prove that they fully qualify for purchase conditions and must declare the quantities of supplies they have bought (with confirmation from the previous supply business organization).

e. They must derive some money from the reward funds of relevant enterprises to reward a supply business organization if this organization has implemented well the contract for selling supplies to them.

f. They must resell those supplies bought from the state and left unused to supply business organizations at directed prices or price frame plus reasonable expenses incurred from charges for purchase labor, transportation, and maintenance and must report to the direct management organ at the higher echelon.

They must sell those discarded materials left unused (in accordance with stipulations governing the division of management duties over state supplies) to supply business units at agreed-upon prices. If these units refuse to buy them, they may sell them to other legal economic units and report to the direct management organ at the higher echelon.

g. They must ask the inspection organs at various echelons to investigate those supply business organizations found to have negative phenomena in the buying and selling of supplies.

/Article 10. Duties:/

a. They must use supplies in accordance with the approved purposes and norms. Reselling supplies bought from the state for profits is strictly forbidden.

b. They must strike a balance for supplies in accordance with stipulations. As for those supplies already bought but not yet put into use, they must arrange with the supply business organizations concerned to keep these supplies at their enterprises and must charge these supplies to the plan or contract of the year that follows.

/IV. The responsibilities of relevant organs for guaranteeing supplies to basic economic units./

/Article 11./ When preparing and presenting their production and business plans, the planning organs at all echelons must cooperate with supply organizations in making calculations, exchanging views, and seeking unanimous agreement if they are to ensure that their plans agree with supply capacity and that they are responsible for implementation of related norms.

/Article 12./ Foreign trade organizations must promptly declare the state of imports and must strictly honor their commitments in the contracts signed with supply organizations.

a. Both sides must take material responsibility for what they have signed in the contract.

b. The delivery, receipt, and financial settlement for imported supplies will be specified in a separate regulation. For the time being, we should temporarily apply those stipulations in Decision No 200-CP dated 31 December 1973.

c. It is mandatory to make financial settlements promptly and completely for contracts on imports and on the delivery of supplies.

/Article 13./ In-country supply producing units must scrupulously implement those contracts signed with supply business organizations and must, together with these organizations, take material responsibilities for what they have signed in the contracts.

a. The state will assign mandatory norms to various production units for the production of essential commodities, such as steel and coal, in accordance with prescribed quantities and quality.

b. Other kinds of materials will be produced in accordance with the quantities ordered under economic contracts by the business organizations concerned.

/Article 14./ With regard to various communications and transportation organizations:

a. The state will assign mandatory norms to them for the transportation of materials.

b. Contracts for the transportation of materials will be signed between the transport organizations and material business organizations. Both sides will take material responsibility for what they have signed in the contracts.

/Article 15./ The state economic arbitration organs at various levels must direct the signing, registration, inspection and implementation of contracts for the purchase and sale of materials. These organs must also deal promptly, strictly, and justly with all cases involving breach of economic contracts.

/Article 16./ All finance and banking sectors must create favorable conditions for both sides to have sufficient operational funds to ensure that they carry out production and business in a way that can cover expenses and turn in part of their profits to the state.

/Article 17./ The price commissions at various level are responsible for helping both sides calculate production costs and discount prices of materials in a rational manner so as to stabilize the wholesale prices and production costs of materials.

/Article 18./ The State Inspection Commission, together with the Ministry of Supply, must establish a system for the inspection of state materials. This is aimed at controlling the management of materials in accordance with state procedures and policies from production to distribution, circulation, and consumption.

/Article 19./ The Minister of Supply is duty-bound to direct, supervise, and inspect the enforcement of these regulations.

/On behalf of the Council of Ministers and for the chairman of the Council of Ministers,

[Signed] Do Muoi, vice chairman of the Council of Ministers./

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CSO: 4209/704

PARTY ACTIVITIES AND GOVERNMENT

VIETNAM

NHAN DAN EDITORIAL PRAISES SOCIALIST PARTY

BK241500 Hanoi Domestic Service in Vietnamese 2300 GMT 21 Jul 86

[22 July NHAN DAN editorial: "Congratulate the Glorious Vietnam Socialist Party"]

[Text] Today the Vietnam Socialist Party turns 40 years old. Encouraged by President Ho Chi Minh and assisted by the CPV, the Socialist Party was founded to join together patriotic, progressive, and socialism-loving intellectuals who devoted themselves to the revolutionary struggle and the fight for national independence and socialism.

The coming into being of the Vietnam Socialist Party following the great victory of the August Revolution was a significant contribution to broadening the national united front. This was very significant change for the Vietnamese intelligentsia's patriotic and democratic movement.

Speaking at the ceremony marking the 40th anniversary of the founding of the Vietnam Socialist Party, Comrade General Secretary Truong Chinh said: The history of our country's revolution affirms that the Vietnam Socialist Party is worthy of playing a role as a political organization representing the ardent love for the country and socialism of the Vietnamese intelligentsia.

Our people and state highly valued the many outstanding contributions the Vietnam Socialist Party has made to the cause of people's national democratic revolution in the past as well as to the cause of socialist revolution at present.

During its 40 years of revolutionary activities, the Vietnam Socialist Party has always been closely united with the CPV, the Vietnam Democratic Party, and other member organizations of the national united front and has joined with the entire people in the undaunted struggle for national independence and freedom and for socialism.

The Vietnam Socialist Party made many outstanding contributions to the nation's great revolutionary undertaking during the two wars of resistance against French colonialism and U.S. imperialism as well as during the war of national defense against the Chinese hegemonist-expansionist clique, and to the cause of socialist revolution.

The Vietnam Socialist Party has contributed to strengthening the political and moral unity and singlemindedness of the great national unity bloc, maintained close cooperation with other members of the VFF, and made great contributions to propagating patriotic intelligentsia.

The party has attached great importance to forging and educating its party cadres and members so they can constantly enhance their love for the country and socialism, mingle themselves with the laboring people, positively study Marxism-Leninism and the Vietnamese revolutionary lines, cultivate their revolutionary ethics and qualities, and dedicate their energy and minds to the socioeconomic development as well as to national defense.

Looking back over the past 40 years, the Vietnam Socialist Party can feel proud that it has adhered to its goals and tenets and that it has made great contributions to the common victories of the fatherland and the people. The Vietnam Socialist Party has, throughout various revolutionary stages, always aligned itself with the CPV be it in the difficult and complex times or in the days of heroic victories. The cooperative relations between the CPV and the Vietnam Socialist Party have constantly developed in the spirit of solidarity, amity, and sincerity in helping each other progress.

On the occasion of this glorious anniversary, Vietnamese Communists would like to extend their warmest and most amiable congratulations to the comrades of the Socialist Party. They would also like to express their profound gratitude to the Vietnam Socialist Party for its trust, support, and assistance.

In the new revolutionary stage, the broadening and strengthening of the all-people great solidarity bloc is very important. More than ever before, the working class, the peasantry, and the socialist intellectuals of all strata must be regarded as powerful revolutionary forces in implementing the two strategic tasks--successfully building socialism and firmly defending the socialist fatherland.

Our CPV will, together with the Vietnam Socialist Party, the Vietnam Democratic Party, and other mass organizations in the national united front, continue to strengthen their unity and sincere cooperation. They must muster all forces, develop revolutionary heroism to the fullest, strive to overcome difficulties, take necessary steps to implement scrupulously the resolution of the CPV Central Committee's eighth plenum and other resolutions of the CPV Central Committee Political Bureau, and be ready to cope with all enemy sabotage schemes and actions.

On the occasion of today's glorious anniversary and at a time when the CPV is making active preparations for the Sixth CPV Congress, all communists and the people of Vietnam sincerely wish the leading comrades and all the members of the Vietnam Socialist Party--a political party that has gone through 40 years of revolutionary struggle--still greater successes in the new stage.

In the period ahead, they must contribute to mustering and organizing the mass emulation movement to engage in productive labor, practice thrift, renovate the management mechanism, gradually stabilize the socioeconomic situation, and successfully implement the 1986 state plan.

AGRICULTURE

VIETNAM

REPORT ON RICEFIELD DAMAGE BY TYPHOON NO 3

BK251452 Hanoi Domestic Service in Vietnamese 1430 GMT 24 Jul 86

[Text] The Central Committee for Floods and Typhoons Control recently reported that on 21 July Typhoon No 3 landed in Quangzi, China, and afterward subsided into a depression and moved to the northeastern and northern mountain areas of Vietnam. Due to the influences of Typhoon No 3 and the depression, during 21-23 July Quang Ninh, Lang Son, and Ha Bac Provinces experienced heavy rainfall measuring 200-400 mm; Bac Thai and Hai Hung Provinces, 100-200 mm; and provinces in the northern delta and midlands, 30-100 mm.

Due to the heavy downpour, the Thai Binh River and other small rivers in Lang Son Province overflowed their banks and caused floods in many areas. As of 23 July the water levels in the (Ky Cung), Luc Nam, Huong, Cau, Lap Cau, and Thai Binh Rivers had reached the third alarming point. The high water level caused waterlogging to a number of 10th-month rice areas in Hai Hung, Ha Bac, Ha Nam Ninh, Hanoi, Vinh Phu, and Ha Son Binh. As of 23 July 94,000 hectares of ricefields in these localities were under water, of which 52,000 hectares were 10th-month rice. Hai Hung faced heavy damages with 50,000 hectares under water; Ha Bac, 29,000 hectares; and Ha Nam Ninh, 20,000 hectares.

To cope with this situation, the Central Committee for Floods and Typhoons Control has assigned many supervisory teams to localities to help the local people overcome difficulties caused by the floods. These localities have taken urgent measures to control the floods and mobilize manpower to protect state property and the people's lives. On 23 July Ha Bac Province mobilized people in six riverside villages and seven mountain villages to strengthen and repair various damaged dams and dikes.

Due to the continued adverse weather condition, the Central Committee for Floods and Typhoons Control has urged localities, sectors, and echelons at flood-stricken areas to promptly integrate their manpower and facilities to overcome the consequences of floods, closely supervise the strengthening of dikes, especially in Ha Bac, Bac Thai, and Hai Hung Provinces, thereby satisfactorily protecting the party property and the people's lives and enhancing the vigilance against the enemy's scheme of sabotage.

Along with promptly overcoming the consequences of floods and strengthening dams and dikes, localities must promptly carry out tasks on preventing waterlogging to save the 10th-month rice and provide sufficient electricity to water pumping stations in Ha Bac, Hai Hung, and Ha Nam Ninh Provinces. They must also take measures to satisfactorily care for ricefields which just have been saved from waterlogging.

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